

Corporate Governance at TKH

TKH Group NV is a public limited company under Dutch law and voluntarily applies the limited two-tier entity regime. The management of the company lies with the Executive Board under the supervision of the Supervisory Board. The Executive Board and the Supervisory Board are responsible for the Corporate Governance structure at TKH and compliance with the Corporate Governance Code ('Code').

CORPORATE GOVERNANCE STRUCTURE

The Executive Board and the Supervisory Board attach great importance to compliance with the principles of integrity, accountability and transparency in the management and oversight of the company. The governance structure at TKH is based on Book 2 of the Dutch Civil Code, the company's articles of association, the Code and various internal regulations. Due to the revised Code and revised primary and secondary legislation, a change to the articles of association will be submitted to the 2018 AGM.

The main outlines of TKH's Corporate Governance structure, as well as compliance with or derogation from the principles and provisions, will be discussed in the 2018 AGM. If significant changes in the structure and/or in the compliance with the Code subsequently occur, these will be submitted to the AGM for discussion as a separate item on the agenda.

REVISED CODE

On 8 December 2016, the Monitoring Committee Corporate Governance Code published the revised Code. Dutch listed companies must report on the compliance with the revised Code in the report of the Executive Board for the 2017 financial year as per Art. 2:391 (5) of the Dutch Civil Code.

In preparation for this, TKH has commissioned a restricted committee to analyze the changes in the Code relative to the previous Code, their implications for TKH and the way in which compliance with the new provisions can be ensured. Some provisions had to be dealt with more in-depth for the decision-making, partly because they have an impact on existing provisions of the articles of association or because they were new areas of attention in the Code. A number of meetings took place with TKH's external legal advisor about the Code.

The general conclusion is that TKH complies in general with the principles and provisions of the Code.

The new areas for attention stated in the Code, such as long-term value creation and culture, have been embedded within TKH for many years already, and have been outlined in the report Executive Board for a long time now. However, carefully considered decisions have been made to deviate from specific provisions of this Code. This section provides justification for this.

The measures that were necessary for the optimal implementation of the revised Code have been implemented. All rules for the Supervisory Board and its committees have been amended, as well as the rules for the Executive Board. The other regulations, such as the code of conduct and whistle-blower scheme, have also been reviewed. A proposal to amend the company's articles of association has been further detailed, as has that of Stichting Administratiekantoor TKH Group.

This section provides a substantiation of the most relevant principles and/or provisions and an explanation of the subjects in the Code from which the company deviates.

1 LONG-TERM VALUE CREATION

The strategy of TKH is outlined in the report of the Executive Board. Based on the IIRC value-creation model, the way in which the strategy leads to long-term value creation for stakeholders is detailed. This provides insight into the mutual relationships involved in the implementation of the strategy and the operations, as well as the capital employed to this end. This includes carefully considering the non-financial aspects of operations, such as the environment, social and personnel matters, and risk management, as well as the relevant interests of TKH stakeholders.

Given that the aspects from the Code relating to long-term value creation are covered in detail in the report of the Executive Board, we refer to the report of the Executive Board for an explanation of these provisions.

2 EFFECTIVE MANAGEMENT AND SUPERVISION

EXECUTIVE BOARD

Tasks and responsibilities

- The Executive Board is charged with managing the company. The Board develops a vision of long-term value creation and formulates an appropriate strategy, taking account of the acceptable risk profile. To implement the strategy, the Executive Board is responsible for achieving predefined objectives, results development, financing of the company and corporate social responsibility issues that are relevant to the company, such as the environment and social and personnel matters. The Executive Board involves the Supervisory Board early on when formulating and adjusting the strategy to realize long-term value creation, and is accountable to the Supervisory Board for its actions.
- In addition, the Executive Board is also responsible for compliance with all relevant legislation and regulations, for managing the risks associated with the company's activities through the adequate implementation of internal risk-management and auditing systems. This involves surveying and analyzing the risks related to the strategy and the activities of the company, establishing the risk appetite and defining the measures to be taken to counter the risks. The Executive Board is accountable to the Supervisory Board for the effectiveness of the set-up and the functioning of the internal risk-management and risk-control systems.

Composition

- The Executive Board comprises three members and is composed in such a way that the necessary expertise, background and competences are present to ensure the tasks are fulfilled adequately. We strive to ensure that there is a good balance represented within the Executive Board in terms of diversity of background, skills, nationality, work experience, age and gender. There is a best effort

obligation for larger companies achieving a quota of at least 30% women and at least 30% men for the Executive Board, insofar as these seats are occupied by natural persons. Currently, the target percentage is not achieved and the Executive Board consists of three men. In the case of upcoming vacancies, the gender target percentage will be one of the points of attention in which it is of decisive importance to fill vacancies that the quality, expertise and experience of the candidate are in line with the profile of the position. We strive to increase gender diversity within the organization and focus specifically on senior managers. This group fulfills an important function in the strategic development of TKH Group and has a sounding board function towards the Executive Board. Moreover, this group is relevant in the context of succession planning.

- The Executive Board has regulations that describe its tasks and its relationship with the Supervisory Board, the shareholders and holders of depositary receipts, the General Meeting of Shareholders and the employee representation body. It also contains rules relating to conflicts of interest in relation to the company. For practical reasons, the Executive Board has created an internal division of duties, which indicates the responsibilities of individual members for specific functional and business areas.
- The Executive Board ensures a balanced and effective decision-making process, while taking into account the interests of all stakeholders. Providing clear and in time information is inextricably linked to this.

Appointment, suspension or dismissal

The members of the Executive Board are appointed by the AGM by binding nomination of the Supervisory Board. In this context, the company's articles of association contain the following rules.

- The AGM can cancel the binding nature of a nomination by resolution passed with an absolute majority of the votes cast, representing at least one-third of the issued capital.

- If the AGM has cancelled the binding nature of a nomination on two occasions, it is free to appoint a member of the Executive Board for the vacancy, with the proviso that it can only do so with an absolute majority of the votes cast, representing at least one-third of the issued capital, and in compliance with the other requirements laid down in TKH's articles of association.
- The AGM may suspend or dismiss a member of the Executive Board. If the Supervisory Board has proposed the suspension or dismissal of a member of the Executive Board to the AGM, the AGM may resolve to do so with a simple majority of votes.
- If the Supervisory Board has not put forward a proposal, the AGM may only resolve to suspend or dismiss a member of the Executive Board with an absolute majority of the votes cast, representing more than one-third of the issued capital of TKH, and in compliance with the other requirements laid down in TKH's articles of association.
- A member of the Executive Board may be suspended by the Supervisory Board at any time. The Executive Board, as well as each individual member of the Executive Board, is independently authorized to represent the company.

Integrity and ethics

Integrity and ethics are a top priority at TKH and form the basic principles of the culture TKH strives for. Any form or appearance of a conflict of interest between the company and the Executive Board shall be avoided, and this shall represent exemplary conduct for the rest of the organization. TKH has a code of conduct that describes the preconditions for daily behaviour. Every employee receives a code of conduct and it is expected to behave accordingly. In outline terms, the Code is also discussed annually in the meeting between the Executive Board, the Supervisory Board and the Central Works Council. TKH also applies systems to thoroughly embed risk awareness in the organization to prevent and manage risks as far as possible. In meetings with the responsible managers and controllers, TKH uses

presentations and training to focus attention on ethics and integrity.

- The Executive Board is alert to signals from (suspected) wrongful conduct and irregularities and has established a procedure to allow the reporting of (suspected) wrongful conduct and irregularities and follows up conscientiously on these reports.
- There have been no transactions in the year under review in which a conflict of interest has been detected among either Executive Board members or Supervisory Board members as per best-practice provision 2.7.3 of the Code.
- The Company has not entered into any transactions with either natural or legal persons who hold ten percent or more of the company shares as per best-practice provision 2.7.5. of the Code.

TKH endorses the principles and underlying best practice provisions set out in the Code as they relate to the Executive Board and applies them, unless otherwise stated below.

- The provision with respect to the maximum term of appointment of four years (2.2.1) will not be followed for two of the three Executive Board members. Mr. J.M.A. van der Lof MBA has been employed by TKH since 1985 and was appointed as a member of the Executive Board in 1998, well before the Code came into force. Mr. E.D.H. de Lange MBA has been employed by TKH since 1998 and was appointed as a member of the Executive Board in 2008. TKH's point of view with respect to them both is that existing contractual agreements cannot be broken and that existing contracts of employment are respected and that limiting the term of appointment is not appropriate. For new Executive Board members to be appointed, a maximum term of appointment of four years is observed in compliance with the best-practice provision for such cases. For the third member of the Executive Board, Mr. A.E. Dehn, who commenced employment at TKH on 1 August 2011,

the best-practice provision applies. At the AGM on 7 May 2015, Mr. Dehn was reappointed by the AGM for a further term of four years by binding nomination by the Supervisory Board.

- In terms of the diversity policy for the Executive Board, the current composition deviates from the statutory target figure for a balanced distribution of seats between men and women in the Executive Board. A balanced distribution of seats is considered to be at least 30% women members and at least 30% men. When filling future vacancies, the company factors in the statutory target figure while also taking into account the background and experience of a candidate.

Internal Audit

- TKH has set up a Internal Audit service, comprising the Director Internal Audit assisted by the Internal Auditor. The Director Internal Audit falls under the responsibility of the Executive Board and has direct access to the external auditor and to the Audit Committee. The Supervisory Board maintains oversight of the Internal Audit function, with this oversight being carried out for pragmatic reasons by the Audit Committee. One task of the Internal Audit function is to assess the set-up and the functioning of the internal risk management and control systems as per the COSO Internal Control Framework.
- The provisions that relate to the Internal Audit service and function are endorsed by TKH and as such are implemented in the organization. Where necessary, the internal rules have been brought into line with these provisions.

SUPERVISORY BOARD

Tasks and responsibilities

- The Supervisory Board has the task of supervise the way in which the Executive Board executes the strategy for long-term value creation and the general day-to-day business of the company and its affiliated businesses.

The Supervisory Board also addresses the effectiveness of the company's internal risk management and control systems and the integrity and quality of the financial reporting. In performing its task, the Supervisory Board takes into account corporate social responsibility issues that are relevant to company and supervises the relationship of the Executive Board with shareholders. The Supervisory Board regularly discusses the strategy, the execution of the strategy and the most important related risks, and provides guidance to the Executive Board. In performing its task, the Supervisory Board is guided by the interests of the company and its affiliated businesses and takes into account the relevant interests of all stakeholders.

- The Supervisory Board ensures that it functions effectively. As per the Code, the Board has installed a Selection and Appointment Committee, a Remuneration Committee and an Audit Committee to prepare the Board's decision-making process. It remains primarily the responsibility of the Supervisory Board as a body and the members of the Supervisory Board as individuals to obtain information and form an independent judgement.
- The allocation of tasks within the Supervisory Board, as well as the way of working of the Board, are established in its rules. The rules also include regulations on handling actual or potential conflicts of interest between members of the Supervisory Board in relation to the company. The company also has a set of rules governing possession of and transactions in securities by members of the Executive Board and the Supervisory Board other than those issued by their 'own' company. Separate rules have also been drawn up for the three committees (the Audit Committee, the Remuneration Committee and the Selection and Appointment Committee) that set out the responsibility of the committee, its composition and the way in which it carries out its task. The rules as well as the profile reflect the principles and best practice provisions to the extent that these are relevant to and applied by the company. The Supervisory Board shall

receive from each of the committees a report of its deliberations and findings.

Composition

- The Supervisory Board is set up in such a way that the necessary expertise, background, competences and independence are present to execute the tasks properly, and has drawn up a profile, taking account of the activities of TKH. The composition of the Supervisory Board is such that the members are able to operate critically and independently of one another, the Executive Board and any particular interests. To ensure the independence of the Supervisory Board, the Board complies the independence criteria as stated in the Code and that which is stated elsewhere, including in the profile of the Supervisory Board.
- Among other matters, the profile addresses the relevant aspects with respect to diversity in the composition of the Supervisory Board and the specific objectives pursued by the Supervisory Board in terms of diversity. At the moment, there is diversity in the Supervisory Board in terms of representation of both men and women and representation of more than one nationality. Further information about the composition of and diversity within the Supervisory Board is provided in the Report of the Supervisory Board. The current composition of the Supervisory Board is the point of departure for the annual evaluation by the Supervisory Board. The Supervisory Board currently (temporarily) consists of six members.

Appointment, suspension or termination

With regard to the appointment of Supervisory Directors, the articles of association of the company include the following:

- Members of the Supervisory Board are appointed by the AGM on the recommendation of the Supervisory Board. The AGM may reject the nomination by an absolute majority of the votes cast, representing at least one-third of the issued capital. If the AGM does not appoint the

nominated person and does not resolve to reject the nomination, the Supervisory Board shall appoint the nominated person. Account is taken of the criteria referred to in the profile when nominating candidates.

- The Central Works Council and the AGM may recommend candidates for the Supervisory Board.
- The Central Works Council has a special right of recommendation in respect of one-third of the members of the Supervisory Board. If the Supervisory Board rejects the recommendation, consultations with the Central Works Council shall be initiated. If the Supervisory Board and the Central Works Council fail to reach agreement, the Enterprise Chamber shall make the final decision.
- The AGM may pass a resolution of no confidence in the Supervisory Board by an absolute majority of the votes cast, representing at least one-third of the issued capital, resulting in the immediate discharge of the members of the Supervisory Board. Prior to this, the Central Works Council must be given the opportunity to take a position on the matter. The Supervisory Board may suspend a Supervisory Board member.
- A Supervisory Board member is appointed for a period of four years and may thereafter be reappointed for a period of four years. As per the Code and (after adoption by the General Meeting of Shareholders and implementation of the proposal to amend) the articles of association of TKH, the member of the Supervisory Board may thereafter be reappointed for a term of appointment of two years that may subsequently be extended by a maximum of another two years. Reappointment after a period of eight years is substantiated in the Report of the Supervisory Board. At appointment or reappointment, the profile as referred to in best-practice provision 2.1.1 is taken into account. The time of resignation of members of the Supervisory Board is recorded in a retirement schedule.
- The Supervisory Board appoints from among its members a chairman and vice-chairman to replace the chairman should the occasion arise. The vice-chairman is also the point of contact for individual members of the

Supervisory Board and members of the Executive Board concerning the functioning of the chairman.

- TKH endorses the principles and underlying best-practice provisions as set out in the Code as they relate to the Supervisory Board and applies them.

External auditor

- At the recommendation of the Supervisory Board, the AGM endorsed the appointment of Ernst & Young Accountants LLP (EY) as independent auditor for the financial years 2017 and 2018. The Audit Committee advised the Supervisory Board on this nomination and submitted a proposal, after which the Supervisory Board recommended the appointment of EY as independent auditor to the shareholders.
- The Supervisory Board oversees the performance of the external auditor, taking advice from the Audit Committee, which evaluates the performance of the external auditor annually and advises on the nomination of the external auditor. The Audit Committee shall meet with the external auditor as often as it considers necessary, but at least once a year, without the Executive Board being present.
- TKH endorses the principles and underlying best practice provisions as set out in the Code as they relate to the external auditor and applies them.

3 REMUNERATION

- The remuneration policy for the Executive Board aims at providing a competitive remuneration package to attract, motivate and retain qualified managers of a publicly listed company, while considering TKH's size and unique characteristics.
- Remuneration for the Supervisory Board was established by the AGM in 2015. The remuneration of a member of the Supervisory Board is not dependent on the company results and reflects the time spent and the responsibilities of the function.
- With respect to the provisions of the chapter on Remuneration of the Code relating to the remuneration

policy and the remuneration report, we refer to the remuneration report, which forms part of the Report of the Supervisory Board, for an explanation of these provisions.

TKH endorses the relevant principles and underlying best-practice provisions as formulated in the Code under remuneration and applies them, unless otherwise stated below.

- The Executive Board has a share purchase scheme in place and no option scheme. The share plan involves a financial contribution for the Executive Board since the individual members must buy the same number of shares as the number that are awarded 'free of charge' within the framework of the plan. Due to this financial contribution by the members of the Executive Board, it is stipulated that the shares must be held for at least three years (3.1.2. v.i.). Given that this scheme requires a private investment obligation of the individual members of the Executive Board, the Supervisory Board is of the opinion that it is fair and reasonable that a term of three years is applied.

4 GENERAL MEETING OF SHAREHOLDERS (AGM)

- An AGM is held annually. Extraordinary General Meetings are held as often as considered desirable by the Executive Board or Supervisory Board and also as often as requested in writing to the Executive Board or Supervisory Board by shareholders and/or holders of depositary receipts, representing at least 10% of the issued capital, with a specification of the topics to be discussed.

TKH endorses the principles and underlying best practice provisions formulated in the Code and relating to the shareholders and applies them, unless otherwise stated below.

- TKH follows the provision relating to stipulating a response time as stated in the Code but at the same time

follows with great interest the developments of the wider public debate that has arisen regarding the functioning and effectiveness of the measures that companies can take to respond adequately to proposals for fundamental strategy changes that do the most justice to long-term value creation and the interests of all stakeholders.

DEPOSITARY RECEIPTS OF SHARES

- Stichting Administratiekantoor TKH Group ('Stichting Administratiekantoor') holds ordinary shares in the company. In exchange for these shares Stichting Administratiekantoor issues depositary receipts for those shares. The voting rights to the shares are vested in Stichting Administratiekantoor. If requested to do so by the holders of depositary receipts, Stichting Administratiekantoor must give them authorization to cast a vote, to the exclusion of Stichting Administratiekantoor, on the shares for which the holder has depositary receipts at an AGM specified in the proxy. The authorization is unrestricted and is therefore not subject to any exchangeability limit. Stichting Administratiekantoor is not required by law (Article 2:118a of the Netherlands Civil Code) to grant the proxy or may withdraw a proxy that has been given if a) a hostile public offer is announced or made or is expected to be made, b) one or more persons possess at least 25% of the depositary receipts and/or shares, or c) in the opinion of Stichting Administratiekantoor the voting right of a holder of a depositary receipt is fundamentally in conflict with the interest of the company. If Stichting Administratiekantoor avails of one of these possibilities, it must notify the holders of depositary receipts stating reasons.
- The company considers the issue of depositary receipts for shares as an important measure to safeguard the interests of shareholders, holders of depositary receipts and other stakeholders. This means that the company's intellectual property and thus also its commercial interest are protected, which is also important in terms of the long-term value creation for our stakeholders. Although

the Code states that the issue of depositary receipts is not intended as a protective measure, TKH expressly chooses to take this form of protective measure and acts accordingly as per the applicable law as stated in Art. 2:118a of the Dutch Civil Code. This is in deviation to principle 4.4 of the Code.

- No depositary receipts have been issued for the cumulative preference financing shares, the cumulative preference protection shares, the priority shares or the registered shares. Further information about the company's capital structure as per provision 4.2.6 of the Code and in the sense of the Takeover Directive Art. 1 (1) (a), is included in the Section 'The TKH share' and in the notes to the financial statements.

Management of Stichting Administratiekantoor

- The Executive Committee of Stichting Administratiekantoor consists entirely of independent members. The Executive Committee does not include any (former) Executive Board members, (former) non-executive directors, employees or permanent advisers of the company.
- A member of the Stichting Administratiekantoor Executive Committee may be appointed for two periods of four years and thereafter for a period of two years followed by one more period of two years. Reappointment after eight years is substantiated in the Report of the Stichting Administratiekantoor Executive Committee. The Stichting thereby follows the provisions of the Code.

Exercising voting rights

- TKH's articles of association allow the Executive Board to decide that shareholders may exercise their voting rights before the AGM by electronic means. TKH offers shareholders and depositary receipt holders the possibility of issuing a proxy to vote in accordance with the e-voting system prior to the AGM.
- Stichting Administratiekantoor exercises the rights attached to the shares in such a way that the interests

of the company and its associated businesses and all its stakeholders are protected as well as possible, and does not focus primarily on the interests of the holders of depositary receipts when exercising its voting rights as defined in best-practice provision 4.4.5 of the Code. The Stichting thus exercises its voting right in line with legal provision 2:118a, as described in more detail above under 'Issue of depositary receipts of shares'. In the AGM, the Executive Committee of Stichting Administratiekantoor may on request issue a statement of its intended voting conduct. This method of exercising its voting rights in relation to the shares derives from the function of 'Issue of depositary receipts of shares' as described above.

CORPORATE GOVERNANCE STATEMENT

This is a statement on Corporate Governance as referred to in Article 2a of the Decree on the report of the Executive Board ('Decree'). The required information to be included in this Corporate Governance statement as referred to in Articles 3, 3a and 3b of the Decree can be found in the following chapters, parts and pages of this 2017 report of the Executive Board and should be inserted and repeated in this statement.

- The Corporate Governance Code applies to TKH and is accessible via www.commissiecorporategovernance.nl. The information concerning compliance with the Dutch Corporate Governance Code as required by article 3 of the Decree can be found in the chapter on 'Corporate Governance'.
- The information concerning the main features of the internal risk management and control systems relating to the financial reporting process as required by article 3a sub a of the Decree can be found in the chapter on 'Risk Management'.
- The information regarding the functioning of the AGM and the main authorities and rights of the shareholders and holders of depositary receipts in shares as required by article 3a sub b of the Decree, can be found in the chapters 'The TKH Share' and 'Corporate Governance'.
- The information regarding the composition and functioning of the Executive Board, the Supervisory Board and its Committees as required by article 3a sub c of the Decree can be found in this chapter on Corporate Governance, the 'Report of the Supervisory Board' and in the 'Report of the Executive Board'.
- The diversity policy regarding the composition of the Executive Board and the Supervisory Board, including the policy objectives, as well as the way in which the policy has been executed and the results of this over the last financial year (Art. 3a sub d of the Decree), as well as the measures to achieve the envisaged situation and over which term, are described in the sections 'Corporate

Governance', 'Report of the Supervisory Board' and 'Report of the Executive Board'.

- The information referred to in the Takeover Directive (Article 10) Decree as required by article 3b of the Decree can be found in the chapter on 'Corporate Governance', 'The TKH Share' and in the notes to the company financial statements.

This Corporate Governance statement can also be found on TKH's website.