

CORPORATE GOVERNANCE

TKH Group N.V., is a public limited liability company under Dutch law, voluntarily applies the limited two-tier entity regime. The management of the company is delegated to the Executive Board under the supervision of the Supervisory Board. The general powers of the Executive Board arise from legislation and regulations, and are laid down in TKH's articles of association. The Executive Board and the Supervisory Board are responsible for the Corporate Governance structure of TKH and compliance with the Dutch Corporate Governance Code (“Code”).



In principle, TKH applies the principles and best practice provisions of the Code and attaches great value to the Code. In a few cases, TKH deviates from the Code; the reasons behind each of these deviations are described below.

TERM OF APPOINTMENT OF THE EXECUTIVE BOARD

The terms of appointment for the CEO and CFO are not limited to the four-year term prescribed in the Code. For both, TKH takes the position that contractual agreements made in the past cannot be modified, that existing employment contracts should be respected, and that the limitation of the appointment is not appropriate. However, it is worth noting that performance is assessed annually and the term of appointment is continually evaluated. The maximum four-year term of appointment does, however, apply to the third member of the Executive Board. A maximum term of four years is also followed for newly appointed members of the Executive Board, and the best practice provision is applied in such cases.

SHARE PLAN

A share plan is in place for the Executive Board, but no share option scheme. The share plan involves a financial contribu-

tion by the Executive Board since the individual members have to purchase the same number of shares as they are awarded within the framework of the plan. Because this involves a financial contribution from the Executive Board members, it has been determined that the shares must be held for at least three years. Additionally, since this scheme requires a private investment obligation of the individual members of the Executive Board, the Supervisory Board believes that it is reasonable and fair to adhere to a term of three years, and not a term of five years.

INTERNAL AUDIT FUNCTION

TKH has an Internal Audit function, but the position of this department has not been fulfilled completely independently in accordance with the Code. In 2021, the Internal Audit team was expanded, which will further strengthen its independent position.

GENERAL MEETING

Due to ongoing COVID-19 restrictions, TKH made the unprecedented decision to ask its shareholders and its holders of depositary receipts of shares not to attend the 2021 General Meeting in person. This request was in line with

the Dutch Emergency Act on the organization of non-physical AGMs, which makes it possible to hold a General Meeting that can only be followed via live stream. Due to this exceptional situation, we were forced to deviate from a number of provisions of the Code relating to the organization and implementation of a General Meeting.

With regard to invoking a response time concerning proposals for fundamental strategy changes, TKH applied the adopted law in September 2020 with regard to a 250-day reflection period, above the 180 days specified in the Code. The basic principle here is to ensure that the operation and effectiveness of the measures that companies can take to respond adequately to proposals for fundamental strategy changes are safeguarded.

DEPOSITORY RECEIPTS OF SHARES

Stichting Administratiekantoor TKH Group (“TKH Trust Office Foundation”) holds ordinary shares in the company. In exchange for these shares, TKH Trust Office Foundation issues depositary receipts for those shares. The voting rights to the shares are vested in TKH Trust Office Foundation. If requested to do so, TKH Trust Office Foundation gives the holders of the depositary receipts authorization to cast a vote,

to the exclusion of TKH Trust Office Foundation, on the shares for which the holder has depositary receipts at a General Meeting of Shareholders specified in the proxy. The authorization is unrestricted and is therefore not subject to any exchangeability limit. TKH Trust Office Foundation is not required by law (article 2:118a of the Netherlands Civil Code) to grant the proxy, and 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 TKH Trust Office Foundation, the voting right of a holder of a depositary receipt is fundamentally in conflict with the interest of the company. In the event of one of these scenarios, TKH Trust Office Foundation must notify the holders of depositary receipts and explain the reasons behind their actions. 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 its commercial interests are protected, which is also important when it comes to long-term value creation for our stakeholders. Although the Code states that the issue of depositary receipts is not intended to be used as a protective measure, TKH expressly chooses to take this form of protective measure and acts in accordance with the applicable law in article 2:118a of the Dutch Civil Code. This is in derogation to principle of the Code.

TKH Trust Office Foundation exercises the rights attached to the shares in such a way that the interests of the company, its associated businesses, and all its stakeholders are protected as far as possible, instead of focusing primarily on the interests of the holders of depositary receipts, as defined in best-practice provision 4.4.5. of the Code. The TKH Trust Office Foundation thus exercises its voting right in line with legal provision 2:118a. In the General Meeting of Shareholders, the Board of TKH Trust Office Foundation may, on request, issue a statement of its intended voting conduct.

A detailed explanation of TKH's Corporate Governance structure can be found on the TKH website.

ISSUE OF SHARES

Shares are issued according to a decision taken by the Executive Board. The decision is submitted to the Supervisory Board for its approval. The extent of this power on the part of the Executive Board is determined by means of a resolution adopted by the General Meeting and does or will not exceed the equivalent of all of those shares in the company's authorized capital that have not yet been issued. During the general meeting held on May 6, 2021, this power was extended until November 6, 2022. The directive applies to ordinary shares and cumulative preference financing shares up to a total of 10% of the total nominal value of the issued shares at the time of issue.

PURCHASE OF OWN SHARES

Subject to specific conditions stipulated in the company's articles of association and acting in accordance with a decision taken by the Executive Board, the company may acquire depositary receipts of shares in its own capital in return for valuable consideration, for a price equivalent to the sum of, on the one hand, the nominal value which they represent or, on the other, one hundred and ten per cent (110%) of their listed price. The decision is submitted to the Supervisory Board for its approval. During the General Meeting held on May 6, 2021 the power for the company to acquire shares in its own capital was conferred on the Executive Board for a period of 18 months as of that date. Among other things, this authorization may be utilized for the purposes of purchasing shares for share and option schemes.

CANCELLATION OF OWN SHARES

In mid-November 2020, TKH announced a share buy-back program of € 25 million. The program started on November 18, 2020 and was carried out within the conditions set by the General Meeting, with the intention to reduce the issued

capital in due time. For the execution of the share buy-back program, TKH has concluded a "Discretionary Management Agreement" with ABN AMRO to carry out the repurchase of its own shares during open and closed periods, independently of TKH. In the period from November 18, 2020 up to and including April 1, 2021, TKH purchased 623,334 depositary receipts of shares for an amount of € 25 million, which completes the share buyback program. The General Meeting of May 6, 2021 adopted the proposal to reduce the issued capital with due observance of the provisions of article 2:99 of the Dutch Civil Code and the articles of association, by cancelling (part of the) ordinary shares that the company holds or of which it holds the depositary receipts. The purpose of the capital reduction is to cancel repurchased (depositary receipts of) shares because there is currently no intention to re-issue those (depositary receipts of) shares. In 2021, 623,334 ordinary shares for an amount of € 25 million were cancelled.

PREVENTION OF INSIDER TRADING

To ensure that any person deemed to be an "insider" within TKH does not engage in insider trading, TKH has introduced regulations to comply with the European Market Abuse Regulation (EU No. 596/2014 – "MAR"). "Insiders" in the company have therefore consented in writing to act in accordance with these regulations. The Company Secretary serves as Compliance Officer and oversees appropriate compliance with the legislation and regulations concerning insider trading and other compliance risks.