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## INTRODUCTION

- 0.1 These Regulations are established pursuant to article 19.3 of the Company's articles of association.
- 0.2 These Regulations are complementary to the provisions regarding the Managing Board and the Managing Board members contained in applicable law and regulation, the articles of association of the Company and the rules pertaining to the relationship between the Supervisory Board and the Managing Board contained in the Regulations of the Supervisory Board.
- 0.3 These Regulations are posted on the Company's website.
- 0.4 The meaning of certain capitalised or uncapitalised terms used in these Regulations are set forth in the List of Definitions attached as **Annex I**.

## CHAPTER I

### COMPOSITION OF THE MANAGING BOARD; POSITIONS

#### 1. Composition; Division of Tasks

- 1.1 The members of the Managing Board are appointed by the General Meeting of Shareholders. The Supervisory Board nominates one or more candidates for appointment.
- 1.2 Managing Board members who are appointed after January 1, 2004 will be appointed for a maximum of four years per term.<sup>1</sup>
- 1.3 As far as the period of office of the Managing Board members is concerned, the situation in which many Managing Board members retire at the same time, will be avoided as much as possible.
- 1.4 The number of Managing Board members is determined by the Supervisory Board after consultation with the CEO/Chairman of the Managing Board.
- 1.5 Individual members of the Managing Board may be charged with specific parts of the managerial tasks, without prejudice to the collective responsibility of the Managing Board as a whole. The Managing Board remains collectively responsible for decisions, even if they are prepared by individual members of the Managing Board. An individual member of the Managing Board may only exercise such powers as are explicitly attributed or delegated to him and he may never exercise powers beyond those exercisable by the Managing Board as a whole.
- 1.6 The division of tasks within the Managing Board is determined (and amended, if necessary) by the Managing Board, subject to the approval of the Supervisory Board. Managing Board members especially charged with particular managerial tasks are primarily responsible for the risk control and monitoring of the managerial tasks concerned.
- 1.7 Each member of the Managing Board must inform the other members of the Managing Board in a clear and timely manner about the way in which he has used delegated powers and about major developments in the area of his responsibilities.

#### 2. CEO/Chairman of the Managing Board

- 2.1 The Supervisory Board appoints one of the members of the Managing Board as CEO/Chairman of the Managing Board.
- 2.2 Within the Managing Board, the CEO/Chairman of the Managing Board is primarily responsible for:
  - (a) preparing an agenda and chairing meetings of the Managing Board;
  - (b) ensuring that the Managing Board functions and makes decisions in a collective manner;
  - (c) determining whether a proposed resolution should be brought to the Managing Board for a vote;

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<sup>1</sup> Dutch Corporate Governance Code, best practice provision II.1.1.

- (d) ensuring that passed resolutions are in accordance with the strategy that should lead to the realisation of the objectives of the Company as referred to in clause 6.1 of these Regulations;
  - (e) supervising the implementation of passed resolutions and determining if further consultation with the Managing Board on their implementation is required; and
  - (f) consulting on an ad hoc basis with members of the Managing Board regarding their respective tasks.
- 2.3 Within the Managing Board, the CEO/Chairman of the Managing Board is also responsible for the following matters regarding the relationship between the Managing Board and the Supervisory Board:
- (a) designating Managing Board members who consult on behalf of the Managing Board with Committees of the Supervisory Board;
  - (b) submitting a proposed agenda and preparing meetings of the Supervisory Board in consultation with the Chairman of the Supervisory Board and supported by the Company Secretary;
  - (c) ensuring that the Supervisory Board is provided with all information necessary for the proper performance of its duties;
  - (d) overseeing and ensuring communications of the Managing Board with the Supervisory Board;
  - (e) consulting regularly with the Chairman of the Supervisory Board and consulting other members of the Supervisory Board if deemed necessary or advisable;
  - (f) considering requests of Managing Board members to consult with particular members of the Supervisory Board regarding an area of expertise; and
  - (g) participating in meetings with the Audit Committee of the Supervisory Board and the member of the Managing Board for the financial function as described in clause 3.3 of these Regulations.
- 2.4 The CEO/Chairman of the Managing Board is assisted in the organisation of the matters set out in clauses 2.2 and 2.3 by the Company Secretary.
- 2.5 The Supervisory Board may appoint one of the Managing Board members as Vice-Chairman. The Vice-Chairman replaces and assumes the powers and duties of the CEO/Chairman of the Managing Board in the latter's absence.

### **3. Chief Financial Officer**

3.1 The Managing Board appoints one of the members of the Managing Board as CFO.

3.2 Within the Managing Board, the CFO is primarily responsible for:

- (a) formulating and communicating the Company's financial strategy;
- (b) overseeing and ensuring the integrity of the Company's accounts;
- (c) the financial reporting of the Company; and
- (d) performing any other related duties as may be prescribed from time to time by the Managing Board.

- 3.3 Within the Managing Board, the CFO is also primarily responsible for taking part in meetings, when requested, of the Audit Committee of the Supervisory Board and the CEO/Chairman of the Managing Board to discuss:
- (a) the integrity of the financial statements of the Company (including but not limited to the choice of accounting policies, application and assessments of the effects of new rules, information about the handling of estimated items in the annual accounts and forecasts);
  - (b) the qualifications, independence, remuneration and non-auditing work of the external auditor for the Company (without prejudice to the responsibilities of the Audit Committee of the Supervisory Board in the area of finance, accounting and tax);
  - (c) the performance of tasks by the external auditor;
  - (d) the financial reporting process;
  - (e) the system of internal business controls (including but not limited to the effect of internal risk managing and control systems);
  - (f) compliance by the Company with laws and regulations and applicable codes of conduct in the area of finance, accounting and tax;
  - (g) compliance by the Company with recommendations of the External Auditor and the Company's operational audit department.
  - (h) the financing of the Company and finance-related strategies; and
  - (i) the Company's tax planning.

#### 4. Company Secretary<sup>2</sup>

- 4.1 The Managing Board is assisted by the Company Secretary, who is appointed by the Managing Board, subject to the approval of the Supervisory Board. The Company Secretary may be removed by the Managing Board after approval is obtained from the Supervisory Board.
- 4.2 All Managing Board members have access to the advice and services of the Company Secretary.
- 4.3 The Company Secretary sees to it that correct Managing Board procedures are followed and that the obligations of the Managing Board under the law, as well as the Company's articles of association are complied with. The Company Secretary shall assist the CEO/Chairman of the Managing Board in the organisation of the affairs of the Managing Board (the preparing and reporting of meetings, information etc.). The Company Secretary is as such also the secretary of the Managing Board.
- 4.4 The Company Secretary may delegate his duties under these Regulations, or parts thereof, to a deputy appointed by him in consultation with the CEO/Chairman of the Managing Board.
- 4.5 The Company Secretary also performs tasks for the Supervisory Board, as provided for in the Regulations of the Supervisory Board.

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<sup>2</sup> Compare clause 4 of the By-Laws of the Supervisory Board and Dutch Corporate Governance Code, best practice provision III.4.3.

## CHAPTER II

### DUTIES AND POWERS

#### 5. General Duties and Powers

- 5.1 The Managing Board is charged with the Managing of the Company, which means, among other things, that it is responsible for defining the Company's Mission, setting and achieving the Company's objectives, strategy and policies as the associated risk profile, the ensuing delivery of results and corporate social responsibility issues that are relevant to the company. The Managing Board is accountable for these matters to the Supervisory Board and the General Meeting of Shareholders.<sup>3</sup> The responsibility for the Managing of the Company is vested in the Managing Board as a collectivity.
- 5.2 The Managing Board is responsible for compliance with all relevant laws and regulations, for managing the risks related to the Company's activities and for financing the Company. The Managing Board reports on these issues and discusses the internal risk managing and control systems with the Supervisory Board and the Audit Committee of the Supervisory Board.<sup>4</sup>
- 5.3 In the performance of its duties the Managing Board shall act in accordance with the interests of the Company and the business connected with it, taking into consideration the interests of the Company's stakeholders.<sup>5</sup>
- 5.4 The Managing Board is itself responsible for the quality of its performance.
- 5.5 The members of the Managing Board shall externally express concurring views with respect to important affairs, matters of principle and matters of general interest, with due observance of the responsibilities of its individual members.
- 5.6 The Managing Board is, together with the Supervisory Board, responsible for the corporate governance structure of the Company and compliance with the Dutch Corporate Governance Code.<sup>6</sup>
- 5.7 The Managing Board shall ensure that employees have the possibility of reporting alleged irregularities in the Company of a general, operational and financial nature to the CEO/Chairman of the Managing Board or an official designated by him, without jeopardising their legal position. Alleged irregularities concerning the functioning of Managing Board members are reported to the Chairman of the Supervisory Board. The whistleblowers' policy is posted on the Company's website.<sup>7</sup>
- 5.8 All transactions between a member of the Group and individuals or legal entities who hold at least 10% of the shares in the Company must be agreed on terms that are customary for arm's-length transactions in the branch of business in which the Group operates. Decisions to enter into transactions in which there are conflicts of interest with such persons that are of material significance to the Company and/or to such persons require the approval of the Supervisory Board.<sup>8</sup>
- 5.9 The Managing Board shall perform its activities under the supervision of the Supervisory Board.

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<sup>3</sup> Dutch Corporate Governance Code, Principle II.1.

<sup>4</sup> Dutch Corporate Governance Code, Principle II.1.

<sup>5</sup> Dutch Corporate Governance Code, Principle II.1

<sup>6</sup> Dutch Corporate Governance Code, Principle I.

<sup>7</sup> Dutch Corporate Governance Code, best practice provision II.1.6.

<sup>8</sup> Dutch Corporate Governance Code, best practice provision III.6.4.

**6. Strategy and Risks**

- 6.1 The Managing Board shall formulate, record and submit to the Supervisory Board for approval: (i) the operational and financial objectives of the Company; (ii) the strategy designed to achieve the objectives; (iii) the parameters to be applied in relation to the strategy, for example in respect of the financial ratios; and (iv) the corporate social responsibility issues that are relevant to the Company.<sup>9</sup>
- 6.2 The Managing Board shall be responsible for ensuring that the Company has internal risk managing and control systems that are suitable for the Company. The Managing Board shall in any event employ as instruments of the internal risk managing and control systems:
- (a) risk analyses with respect to realisation of the operational and financial objectives of the Company;
  - (b) a code of conduct, which is posted on the Company's website;
  - (c) requirements for the layout of financial and management reports and the procedures to be followed in drawing up the reports; and
  - (d) a system of monitoring and reporting.<sup>10</sup>

**7. Financial Reporting; Annual Accounts and Annual Report**

- 7.1 The Managing Board is responsible for the quality and completeness of publicly disclosed financial reports.<sup>11</sup> The preparation and publication of the Annual Report, the Annual Accounts, the quarterly and half-yearly figures and ad hoc financial information require careful internal procedures.<sup>12</sup> The Managing Board is responsible for establishing and maintaining internal procedures that ensure that all major financial information is known to the Managing Board, so that the timeliness, completeness and accuracy of the external financial reporting are assured. For this purpose the Managing Board shall ensure that financial information from business divisions and/or Affiliates is reported to itself and that the integrity of that information is not compromised.<sup>13</sup>
- 7.2 The Managing Board shall release the Annual Report and the Annual Accounts within four months of the end of the financial year.
- 7.3 The Managing Board shall ensure that the information listed in Annex II is included in the Annual Report.
- 7.4 The corporate operational audit (COA) department operates under the responsibility of the Managing Board (CEO/Chairman of the Managing Board).<sup>14</sup> The Managing Board shall consult with the External Auditor and the Audit Committee of the Supervisory Board in drawing up the work schedule of the operational audit department. The Managing Board shall ensure that the Audit Committee of the Supervisory Board and the External Auditor take cognisance of the findings of the COA department.<sup>15</sup>
- 7.5 The COA department shall have access to the external auditor and the Chairman of the Audit Committee.<sup>16</sup>

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<sup>9</sup> Dutch Corporate Governance Code, best practice provision II.1.2

<sup>10</sup> Dutch Corporate Governance Code, best practice provision II.1.3.

<sup>11</sup> Dutch Corporate Governance Code, Principle V.1.

<sup>12</sup> Dutch Corporate Governance Code, best practice provision V.1.1.

<sup>13</sup> Dutch Corporate Governance Code, best practice provision V.1.3.

<sup>14</sup> Dutch Corporate Governance Code Principle V.3.

<sup>15</sup> Dutch Corporate Governance Code, best practice provision V.3.1.

<sup>16</sup> Dutch Corporate Governance Code, best practice provision V.3.2.

**8. Relation with the External Auditor**

- 8.1 The Managing Board shall ensure that the External Auditor can properly perform his audit work, and it shall encourage both the External Auditor and the Company to properly perform and pursue the role and the policy of the Company regarding the External Auditor, as provided for by agreement with the External Auditor, these Regulations, the Regulations of the Supervisory Board and the Charter of the Audit Committee.
- 8.2 The Managing Board and the Audit Committee shall annually, and on an interim basis if necessary, report to the Supervisory Board on its dealings with the External Auditor, particularly on his independence (including the desirability of rotation of the responsible partners of the External Auditor's firm and the desirability of non-audit work for the Company by the External Auditor who also performs the audit).<sup>17</sup>
- 8.3 At least once every four years, the Managing Board shall conduct a thorough assessment of the functioning of the External Auditor within the various entities and in the different capacities in which the External Auditor acts. The main conclusions of this assessment shall be communicated to the General Meeting of Shareholders for the purposes of assessing the nomination for the appointment of the External Auditor.<sup>18</sup>

**9. Relation with the Supervisory Board**

- 9.1 The CEO/Chairman of the Managing Board shall be the first contact for the Chairman and the Supervisory Board.
- 9.2 In relation to the provision of information and the exercise of duties and powers by the Supervisory Board and its members and Committees, the Managing Board and its members shall act in accordance with the provisions applying to the Managing Board and its members under or pursuant to these Regulations, the Regulations of the Supervisory Board, the Charter of the Committees, the Company's articles of association and the applicable laws and regulations.

**10. Relation with the Shareholders**

- 10.1 The Managing Board and the Supervisory Board shall provide the General Meeting of Shareholders timely with all information required to exercise its powers.<sup>19</sup>
- 10.2 The Managing Board and the Supervisory Board shall provide the General Meeting of Shareholders with all requested information, unless this would be contrary to an overriding interest of the Company. If the Managing Board and the Supervisory Board invoke an overriding interest, it shall state the reasons.<sup>20</sup>
- 10.3 . The agenda of the General Meeting shall state the issues that shall be discussed and the issues that shall be put to the vote.<sup>21</sup>
- 10.4 A proposal for approval or authorisation by the General Meeting of Shareholders shall be explained in writing. The Managing Board shall in this explanation state all the facts and circumstances that are relevant for the approval or authorisation to be granted. The explanation to the agenda shall be posted on the Company's website.<sup>22</sup>
- 10.5 The members of the Managing Board shall be present at the General Meeting of Shareholders, unless they are unable to attend for important reasons.

<sup>17</sup> Dutch Corporate Governance Code, best practice provision V.2.2.

<sup>18</sup> Dutch Corporate Governance Code, best practice provision V.2.3

<sup>19</sup> Dutch Corporate Governance Code, Principle IV.3.

<sup>20</sup> Dutch Corporate Governance Code, best practice provision IV.3.5.

<sup>21</sup> Dutch Corporate Governance Code, best practice provision IV.3.7.

<sup>22</sup> Dutch Corporate Governance Code, best practice provision IV.3.8.

- 10.6 The Managing Board and the Supervisory Board shall procure that each substantial change in the corporate governance structure of the Company or in the Company's compliance with the Dutch Corporate Governance Code is submitted to the General Meeting of Shareholders for discussion under a separate agenda item.<sup>23</sup>
- 10.7 The policy of the Company on reserves and on dividends (the level and purpose of the reserves, the amount of the dividend and the type of dividend) and any changes to this policy shall be dealt with and explained as a separate agenda item at the General Meeting of Shareholders.<sup>24</sup>
- 10.8 A proposal to distribute a dividend shall be dealt with as a separate agenda item at the General Meeting of Shareholders.<sup>25</sup>
- 10.9 The Company shall determine a registration date for the exercise of the voting rights and the rights attached to meetings.<sup>26</sup>
- 10.10 The Managing Board and the Supervisory Board shall ensure compliance with all applicable laws and regulations related to the rights of the General Meeting of Shareholders and the rights of individual shareholders with respect thereto.
- 10.11 If a serious private bid is made for a business unit or a participating interest and the value of the bid exceeds the threshold referred to in Section 2:107a paragraph 1(c) of the Dutch Civil Code, and the bid is made public, the Managing Board shall, at its earliest convenience, make public its position on the bid and the reasons for this position.<sup>27</sup>
- 10.12 Material amendments to the articles of association of the Company as well as proposals for the appointment of members of the Managing Board or the Supervisory Board shall be presented separately to the General Meeting.<sup>28</sup>
- 10.13 The Company shall provide shareholders and others who have the right to vote the possibility to issue, prior to the General Meeting of Shareholders, voting proxies or voting instructions to an independent third party.<sup>29</sup>
- 10.14 The Company shall formulate an outline policy on bilateral contacts with shareholders and it shall place this policy on its website.<sup>30</sup>
- 10.15 If one or more shareholders have the intention of requesting that an item be put on the agenda which may lead to a change of strategy of the Company, such as the dismissal of one or more members of the Supervisory Board, the Managing Board shall respond to such request within a reasonable period of time (*the response time*). The response time shall not exceed 180 days, calculated as from the date on which the Managing Board was informed by one or more shareholders of the intention to put this item on the agenda until the date of the General Meeting of Shareholders at which the item was to be discussed. The Managing Board shall use this response time for consultations, constructive negotiations and to explore alternatives, in any case with the shareholders concerned. The Supervisory Board shall supervise this.<sup>31</sup>

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<sup>23</sup> Dutch Corporate Governance Code, best practice provision I.2.

<sup>24</sup> Dutch Corporate Governance Code, best practice provision IV.1.4.

<sup>25</sup> Dutch Corporate Governance Code, best practice provision IV.1.5.

<sup>26</sup> Dutch Corporate Governance Code, best practice provision IV.1.7.

<sup>27</sup> Dutch Corporate Governance Code, best practice provision IV.1.3.

<sup>28</sup> Dutch Corporate Governance Code, Principle IV.3.9.

<sup>29</sup> Dutch Corporate Governance Code, Principle IV.3.12.

<sup>30</sup> Dutch Corporate Governance Code, Principle IV.3.13.

<sup>31</sup> Dutch Corporate Governance Code, best practice provisions II.1.9 and IV.4.4.

- 10.16 If a takeover bid for shares in the Company is being prepared, the Managing Board shall ensure that the Supervisory Board is involved timely and closely in the acquisition process.<sup>32</sup>
- 10.17 If a takeover bid has been announced or made and the Managing Board receives a request from a third competing bidder for information regarding the Company, the Managing Board shall discuss such request without delay with the Supervisory Board.<sup>33</sup>

## 11. Relation with Analysts, the Financial Press and Institutional and Other Investors

- 11.1 The Managing Board or, where appropriate, the Supervisory Board shall inform all shareholders and other parties in the financial markets equally and simultaneously about matters that may affect the share price. The contacts between the Managing Board on the one hand and press and financial analysts on the other shall be carefully handled and structured and the Company shall not engage in any acts that compromise the independence of analysts in relation to the Company and vice versa.<sup>34</sup>
- 11.2 Group-meetings with and group-presentations to analysts, presentations to (institutional) investors and press conferences shall be announced in advance on the Company's website and by means of press releases. Provisions shall be made for all shareholders to follow these meetings and presentations in real time, by means of webcasting, telephone lines or by other means.<sup>35</sup>
- 11.3 The Company shall not in advance assess, comment on or correct (other than factually), analysts' reports and valuations.<sup>36</sup>
- 11.4 The Company shall not pay any fee to any party for the carrying out of research for analysts' reports or for the production or publication of analysts' reports on the Company, with the exception of credit rating agencies.<sup>37</sup>
- 11.5 Analysts' meetings, presentations to institutional or other investors and direct discussions with those investors shall not take place shortly before the publication of the regular financial information (quarterly, half-yearly or annual reports).<sup>38</sup>

## 12. Website of the Company

The Managing Board shall post and update all information relevant to the Shareholders that the Company is required to publish or deposit pursuant to the applicable provisions of company law or securities law and regulation on a separate part of the Company's website. A list of items that must be placed on the website is attached as **Annex III**.<sup>39</sup>

<sup>32</sup> Dutch Corporate Governance Code, best practice provision II.1.10.

<sup>33</sup> Dutch Corporate Governance Code, best practice provision II.1.11.

<sup>34</sup> Dutch Corporate Governance Code, Principle IV.3.

<sup>35</sup> Dutch Corporate Governance Code, best practice provision IV.3.1.

<sup>36</sup> Dutch Corporate Governance Code, best practice provision IV.3.2.

<sup>37</sup> Dutch Corporate Governance Code, best practice provision IV.3.3.

<sup>38</sup> Dutch Corporate Governance Code, best practice provision IV.3.4.

<sup>39</sup> Dutch Corporate Governance Code, best practice provision IV.3.6.

CHAPTER III

MEETINGS OF THE MANAGING BOARD; DECISION-MAKING

**13. Meetings of the Managing Board**

- 13.1 The Managing Board shall in principle meet once a week, or more often as deemed desirable or required for a proper functioning of the Managing Board by any one or more Managing Board members. Meetings of the Managing Board shall be called by the CEO/Chairman of the Managing Board. Save in urgent cases, to be determined by the CEO/Chairman of the Managing Board, the agenda for the meeting shall be sent at least two calendar days before the meeting to all Managing Board members. Whenever possible, an explanation in writing and/or other related documentation should be attached for each item on the agenda.
- 13.2 Managing Board meetings are chaired by the CEO/Chairman of the Managing Board or in his absence, the Vice-Chairman.
- 13.3 A Managing Board member may be represented at meetings by another Managing Board member holding a proxy in writing. The existence of such proxy must be proved satisfactorily to the CEO/Chairman of the Managing Board or, in his absence, Managing Board members present at the meeting.
- 13.4 Persons other than the Managing Board members and the Company Secretary or his deputy may be invited by the Managing Board to attend (part of) the meeting .
- 13.5 The Company Secretary or any other person designated for such purpose by the chairman of the meeting shall draw up minutes of the meeting. The minutes should contain a summary of the meeting and provide insight into the decision-making process at the meeting. The minutes shall be adopted by the Managing Board at the next meeting.

**14. Decision-making within the Managing Board**

- 14.1 The Managing Board members shall endeavour to achieve that resolutions are as much as possible adopted unanimously.
- 14.2 Each Managing Board member has the right to cast one vote.
- 14.3 Where unanimity cannot be reached and the law, the Company's articles of association or these Regulations do not prescribe a larger majority, all resolutions of the Managing Board are adopted by an absolute majority of the votes cast. In the event of a tie, the CEO/Chairman of the Managing Board shall have the deciding vote. At a meeting, the Managing Board may only pass resolutions if the majority of the Managing Board members are present or represented.
- 14.4 In general, resolutions of the Managing Board are adopted at a Managing Board meeting.

- 14.5 The following resolutions of the Managing Board are subject to the approval of the Supervisory Board:
- a. determining the operational and financial objectives of the Company;
  - b. determining and amending the corporate strategy designed to achieve the objectives;
  - c. determining and amending the parameters to be applied in relation to the strategy (for example in respect of financial ratios); and
  - d. the resolutions listed in **Annex IV**.
- 14.6 The Managing Board shall not pass resolutions relating to the area of expertise of a particular Managing Board member without having duly informed itself of the view of that Managing Board member.
- 14.7 Managing Board resolutions may also be adopted in writing, provided the proposal concerned is submitted to all Managing Board members and none of them objects to this form of adoption. Adoption of resolutions in writing shall be effected by statements in writing from all the Managing Board members. A statement from a Managing Board member who wishes to abstain from voting on a particular resolution which is adopted in writing must reflect the fact that he does not object to this form of adoption.
- 14.8 The Managing Board may deviate from the provisions of clauses 14.3 (last sentence), 14.4, 14.6 and 14.7 if this is deemed necessary by the CEO/Chairman of the Managing Board, considering the urgent nature and other circumstances of the case, provided that all Managing Board members are allowed the opportunity to participate in the decision-making process. The CEO/Chairman of the Managing Board and the Company Secretary shall then prepare a report on any resolution so adopted, which shall be added to the documents for the next meeting of the Managing Board.
- 14.9 A resolution adopted by the Managing Board may be evidenced outside the Company through a statement from the CEO/Chairman of the Managing Board and/or the Company Secretary.

## CHAPTER IV

### OTHER PROVISIONS

#### 15. Conflicts of Interests of Managing Board Members

##### 15.1 A Managing Board member shall not:

- (a) enter into competition with any member of the Group;
- (b) demand or accept (substantial) gifts from any member of the Group for himself or for his spouse, registered partner or other life companion, foster child or relative by blood or marriage up to the second degree;
- (c) provide unjustified advantages to third parties to the detriment of any member of the Group; or
- (d) take advantage of business opportunities to which any member of the Group is entitled for himself or for his spouse, registered partner or other life companion, foster child or relative by blood or marriage up to the second degree.<sup>40</sup>

15.2 A Managing Board member shall immediately report any conflict of interest or potential conflict of interest that is of material significance to any member of the Group and/or to the member concerned, first to the CEO/Chairman of the Managing Board and via him to the Chairman of the Supervisory Board and - or directly to the latter if it is the CEO/Chairman of the Managing Board who has to report - to the other Managing Board members and shall provide all relevant information, including information concerning his spouse, registered partner or other life companion, foster child and relatives by blood or marriage upon the second degree. The Supervisory Board shall decide, without the Managing Board member concerned being present, whether there is a conflict of interest.<sup>41</sup>

15.3 A conflict of interest exists, in any event, if any member of the Group intends to enter into a transaction with a legal entity: (i) in which a Managing Board member personally has a material financial interest; (ii) which has a Managing board member who has a relationship under family law with a Managing Board member;<sup>42</sup> or (iii) in which a Managing Board member has a Managing or supervisory position.<sup>43</sup>

15.4 A Managing Board member shall not take part in any discussion or decision-making that involves a subject or transaction in relation to which he has a conflict of interest with any member of the Group.<sup>44</sup>

15.5 All transactions in which there are conflicts of interest with Managing Board members shall be agreed on terms that are customary for arm's-length transactions in the branch of business in which the Group operates. Decisions to enter into transactions in which there are conflicts of interest with Managing Board members that are of material significance to any member of the Group and/or the relevant Managing Board members require the approval of the Supervisory Board.<sup>45</sup>

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<sup>40</sup> Dutch Corporate Governance Code, best practice provision II.3.1.

<sup>41</sup> Dutch Corporate Governance Code, best practice provision II.3.2.

<sup>42</sup> A relationship under family law exists between a child, its parents and their blood relatives (Section 1:197, Dutch Civil Code).

<sup>43</sup> Dutch Corporate Governance Code, best practice provision II.3.2 (continued).

<sup>44</sup> Dutch Corporate Governance Code, best practice provision II.3.3.

<sup>45</sup> Dutch Corporate Governance Code, best practice provision II.3.4.

- 15.6 In the event of a conflict of interests between the Company and one or more members of the Managing Board of the Company, the Company shall be represented by the person or persons designated for such purpose by the Supervisory Board, save when one or more other persons have been designated by the General Meeting of Shareholders.
- 16. Remuneration of Managing Board Members**
- 16.1 The remuneration and contractual terms of employment of Managing Board members are determined by the Supervisory Board in accordance with article 18 of the Company's articles of association and clause 12 of the Regulations of the Supervisory Board, within the scope of the remuneration policy adopted by the General Meeting of Shareholders.
- 16.2 Managing Board members shall not profit from the activities of the Company other than through remuneration as a Managing Board member or through shares in the Company held for the purpose of long-term investment.<sup>46</sup>
- 16.3 No member of the Group shall grant personal loans, guarantees or the like to Managing Board members except within the framework of its usual business operations, on conditions which apply to all employees and with the approval of the Supervisory Board. Loans are not remitted.<sup>47</sup>
- 16.4 Apart from their remuneration, Managing Board members shall be reimbursed for all reasonable costs incurred with the consent of the CEO/Chairman of the Managing Board, or, with respect to the CEO/Chairman of the Managing Board, incurred with the consent of the Chairman of the Supervisory Board.
- 17. Outside Positions**
- 17.1 A Managing Board member may not be a member of the supervisory board of more than two listed companies. A Managing Board member may not concurrently serve as chairman of the supervisory board of a listed company. Membership of the supervisory board of affiliates of the Company does not count for this purpose.<sup>48</sup>
- 17.2 The acceptance by a Managing Board member of membership of the supervisory board of a listed company requires the approval of the Supervisory Board. Other important positions held by a Managing Board member must be notified to the Supervisory Board.<sup>49</sup>
- 17.3 Managing Board members shall not without prior permission of the CEO/Chairman of the Managing Board (following consultation with the Chairman of the Supervisory Board) or, in the case of the CEO/Chairman of the Managing Board, prior permission of the Chairman of the Supervisory Board, accept:
- (a) any other remunerated employment position, including in an advisory or supervisory capacity; or
  - (b) any non-remunerated employment position.

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<sup>46</sup> Dutch Corporate Governance Code Principe II.2 (third paragraph)

<sup>47</sup> Dutch Corporate Governance Code, best practice provision II.2.8.

<sup>48</sup> Dutch Corporate Governance Code, best practice provision II.1.7.

<sup>49</sup> Dutch Corporate Governance Code, best practice provision II.1.7.

**18. Holding and Trading Securities**

- 18.1 Any shareholding in the Company by Managing Board members is for the purpose of long-term investment.<sup>50</sup>
- 18.2 Managing Board members are bound to the DSM-Rules concerning Inside Information of the Company regarding securities of the Company and other securities referred to in these Rules.
- 18.3 With respect to the ownership of and transactions with any securities Managing Board members must at all times comply with all Dutch and foreign statutory provisions and regulation applicable thereto.
- 18.4 The Managing Board shall draw up regulations governing ownership of and transactions in securities held by Managing Board members, other than those issued by the Company.<sup>51</sup>

**19. Confidentiality**

- 19.1 No Managing Board member shall, during his membership of the Managing Board or afterwards, disclose in any way whatsoever to anyone whomsoever any information of a confidential nature regarding the business of the Group, that came to his knowledge in the capacity of his work for the Company and which he knows or should know to be of a confidential nature, unless required by law. A Managing Board member is allowed to disclose the above information to Managing Board members and Supervisory Board members as well as to staff members of the Group, who, in view of their activities for the Group, should be informed of the information concerned. A Managing Board member shall not in any way whatsoever utilise the information referred to above for his personal benefit.

**20. Miscellaneous**

- 20.1 **Acceptance by Managing Board members.** Anyone who is appointed as a Managing Board member must, upon assuming office, declare in writing to the Company that he accepts and agrees to the contents of these Regulations and pledge to the Company that he will comply with the provisions of these Regulations.
- 20.2 **Occasional non-compliance.** The Managing Board may occasionally decide not to comply with these Regulations, with due observance of applicable laws and regulations and with the prior approval of the Supervisory Board. Any material non-compliance with these Regulations shall be mentioned in the Annual Report.
- 20.3 **Amendment.** These Regulations may be amended by the Managing Board at any time and without any notification being made (except posting on the Company's website), subject only to prior Supervisory Board approval.
- 20.4 **Interpretation.** In the event of lack of clarity or difference of opinion on the interpretation of any provision of these Regulations, the opinion of the Chairman of the Supervisory Board shall be decisive.

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<sup>50</sup> Dutch Corporate Governance Code, Principle II.2.

<sup>51</sup> Dutch Corporate Governance Code, best practice provision III 6.5

- 20.5 **Governing law and jurisdiction.** These Regulations are governed by the laws of the Netherlands. The courts of the Netherlands have exclusive jurisdiction to settle any dispute arising from or in connection with these Regulations (including any dispute regarding the existence, validity or termination of these Regulations).
- 20.6 **Complementarity to Dutch law and Articles of Association.** These Regulations are complementary to the provisions governing the Managing Board as contained in Dutch law, other applicable Dutch or EU regulations and the Company's articles of association. Where these Regulations are inconsistent with Dutch law, other applicable Dutch or EU regulations or the articles of association, the latter shall prevail. Where these Regulations are consistent with the Company's articles of association but inconsistent with Dutch law or other applicable Dutch or EU regulations, the latter shall prevail.
- 20.7 **Partial invalidity.** If one or more provisions of these Regulations are or become invalid, this shall not affect the validity of the remaining provisions. The Managing Board, subject to prior approval of the Supervisory Board, may replace the invalid provisions by provisions which are valid and the effect of which, given the contents and purpose of these Regulations is, to the greatest extent possible, similar to that of the invalid provisions.

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ANNEXES

## ANNEX

### I. LIST OF DEFINITIONS

1. In the Regulations of the Managing Board and the Supervisory Board, the following terms have the following meanings:

**Affiliate** means an entity in which the Company owns directly or indirectly 50% or more of the capital and voting rights.

**Annual Accounts** means the annual accounts of the Group as referred to in Section 2:101 of the Dutch Civil Code.

**Annual Report** means the annual report of the Group drawn up by the Managing Board, as referred to in Section 2:101 of the Dutch Civil Code.

**Audit Committee** means the committee designated as such in clause 5 of the Regulations of the Supervisory Board.

**Regulations** means the by-laws of the Managing Board or the Regulations of the Supervisory Board, depending on the context, including the annexes belonging thereto.

**Committee** means, as regards the Supervisory Board, each committee of the Supervisory Board as referred to in clause 5 of the Regulations of the Supervisory Board.

**Company** means Koninklijke DSM N.V..

**External Auditor** means the accounting and auditing firm that, in accordance with Section 2:393 of the Dutch Civil Code, is charged with the audit of the Annual Accounts..

**General Meeting of Shareholders** means the general meeting of shareholders of the Company.

**Group** means the Company and its Subsidiaries and other Affiliates.

**in writing** means by letter, by telecopier, by e-mail, or by message which is transmitted via any other current means of communication and which can be received in written form.

**Managing Board** means the managing board of the Company.

**Nomination Committee** means the committee designated as such in clause 5 of the Regulations of the Supervisory Board.

**Remuneration Committee** means the committee designated as such in clause 5 of the Regulations of the Supervisory Board.

**Remuneration Report** means the remuneration report of the Supervisory Board regarding the remuneration policy of the Company as drawn up by the Remuneration Committee of the Supervisory Board.

**Subsidiary** has the meaning attributed to it in Section 2:24a of the Dutch Civil Code.

**Supervisory Board** means the supervisory board of the Company.

**Supervisory Board Profile** means the profile for the size and composition of the Supervisory Board, as designated in clause 1.1 of the Regulations of the Supervisory Board.

2. Save where the context dictates otherwise, in the Regulations of the Managing Board and the Supervisory Board:
  - (a) words and expressions expressed in the singular form also include the plural form, and vice versa;
  - (b) words and expressions expressed in the masculine form also include the feminine form; and
  - (c) a reference to a statutory provision counts as a reference to this statutory provision including all amendments, additions and replacing legislation that may apply from time to time.
3. Headings of articles and other headings in the Regulations of the Managing Board and the Supervisory Board are inserted for ease of reference and do not form part of the Regulations concerned for the purpose of interpretation.

## ANNEX

## II. LIST OF INFORMATION TO BE INCLUDED IN THE ANNUAL REPORT

In addition to the information which must be included pursuant to the provisions of Book 2 Dutch Civil Code, see also Section 2:391 and 392 DCC, the following information must be included in the annual report

- II.1.2 CG Code The broad outline of: (i) the operational and financial objectives of the Company, (ii) the strategy designed to achieve the objectives, (iii) the parameters to be applied in relation to the strategy, and (iv) the corporate social responsibility issues that are relevant to the company.<sup>52</sup>
- II.1.4 CG Code (i) a description of the main risks associated with the strategy of the Company; (ii) a description of the design and effectiveness of the internal risk management and control systems in relation to the main risks during the financial year and (iii) a description of major failings in the internal risk management and control systems, which have been discovered in the financial year, any significant changes made to such systems as well as any major improvements planned for such systems, and a confirmation that these matters have been discussed with the Audit Committee and the Supervisory Board.<sup>53</sup>
- II.1.5 CG Code With respect to the financial reporting risks, the Managing Board shall state in the annual report that the internal risk management and control systems provide a reasonable assurance that the financial reporting does not contain any inaccuracies of material importance and that the internal risk management and control systems functioned properly in the year under review. The Managing Board shall provide clear substantiation of this.
- II.1.6 CG Code A report on the sensitivity of the results of the Company to external factors and variables.
- II.3.4 CG Code Publication of all transactions in which there are conflicts of interest with Managing Board members that are of material significance to the Company and/or the Managing Board members concerned.<sup>54</sup>
- III.6.3 CG Code Publication of all transactions in which there are conflicts of interest with Supervisory Board members that are of material significance to the Company and/or the Supervisory Board members concerned.<sup>55</sup>
- III.6.4 CG Code Publication of all transactions between the Company and legal or natural persons who hold at least ten percent of the shares in the Company.<sup>56</sup>
- IV.3.9 CG Code A survey of all existing or potential anti-takeover measures and also an indication of the circumstances in which it is expected that these measures may be used.

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<sup>52</sup> cf. Regulations MB clause 6.1.

<sup>53</sup> cf. Regulations MB clause 6.2

<sup>54</sup> cf. Regulations MB clause 15.5

<sup>55</sup> cf. Regulations SB clause 18.4

<sup>56</sup> cf. Regulations MB clause 5.8

I.1 CG Code In a separate chapter: the broad outline of the corporate governance structure of the Company, partly by reference to the principles mentioned in the Dutch Corporate Governance Code, indicating expressly to what extent it applies the best practice provisions in the Dutch Corporate Governance Code and, in the event of non-appliance, why, and to what extent, it does not apply it. After the first comprehensive description the status compared with the Dutch Corporate Governance Code only has to be described in future annual reports if changes have occurred.

A reference to the Managing Board resolutions pursuant to clauses 20.2 and 20.3 of the Regulations of the Managing Board, to the extent of material significance.

### Notes to the annual accounts

#### II.2 (2nd Principle)

CG Code The information prescribed by law on the level and structure of the remuneration of the individual members of the Managing Board.

II.2.14 CG Code In addition to the information to be included pursuant to Section 2:383d of the Dutch Civil Code, a statement of the value of the options granted to the Managing Board members and the employees and an indication of how this value is determined.

III.7 CG Code The information prescribed by law on the level and structure of the remuneration of the individual members of the Supervisory Board.

## ANNEX

## III. LIST OF ITEMS TO BE PLACED ON THE COMPANY'S WEBSITE

- II.1.3 CG Code A code of conduct (the DSM Code of Business Conduct)<sup>57</sup>
- III.1.6 CG Code Whistleblower Policy.<sup>58</sup>
- II.2.13 CG Code The Remuneration Report of the Supervisory Board.<sup>59</sup>
- III.1.1. CG Code Regulations of the Supervisory Board.<sup>60</sup>
- III.3.1 CG Code Supervisory Board Profile.<sup>61</sup>
- III.3.6 CG Code Rotation Plan of the Supervisory Board.<sup>62</sup>
- III.5.1 CG Code Charter and composition of the Committees.<sup>63</sup>
- IV.3.1 CG Code Announcement in advance of meetings of analysts, presentations to analysts, presentations to (institutional) investors - all in case of group events - and press conferences.<sup>64</sup>
- IV.3.6 CG Code Information relevant to the shareholders required to be published pursuant to the provisions of company law and securities laws and regulations applicable to it; such information to be published on a separate part of the Company's website, i.e. separate of the commercial information on the Company.<sup>65</sup>
- IV.3.7 CG Code Shareholders circulars drawn up by the Company.<sup>66</sup>
- The Regulations of the Managing Board.<sup>67</sup>
- Essential elements immediately upon conclusion of contract with Managing Board member.<sup>68</sup>
- Resolutions of the General Meeting of Shareholders and (draft) reports of General Meetings of Shareholders.<sup>69</sup>
- The DSM-Rules concerning Inside Information of the Company.<sup>70</sup>
- IV.3.8 CG Code A proposal for approval or authorisation by the General Meeting of Shareholders shall be explained in writing. The Management Board shall in this explanation state all the facts and circumstances that are relevant for the approval or authorisation to be granted. The explanation to the agenda shall be posted on the company's website
- IV.3.13 CG Code Outline policy on bilateral contacts with shareholders.

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<sup>57</sup> Regulations MB, clause 6.2(b).

<sup>58</sup> Regulations MB, clause 5.7.

<sup>59</sup> Regulations SB, clause 12.1.

<sup>60</sup> Regulations MB, clause 0.3.

<sup>61</sup> Regulations SB, clause 1.1.

<sup>62</sup> Regulations SB, clause 2.5.

<sup>63</sup> Regulations SB, clause 5.4.

<sup>64</sup> Regulations MB, clause 11.2.

<sup>65</sup> Regulations MB, clause 12.

<sup>66</sup> Regulations MB, clause 10.3;

<sup>67</sup> Regulations MB, clause 0.3.

<sup>68</sup> Regulations MB, clause 13.4.

<sup>69</sup> Regulations SB, clause 13.7

<sup>70</sup> Regulations SB, clause 23.2

## ANNEX

## IV. LIST OF APPROVALS BY AND PERIODICAL REPORTING TO THE SUPERVISORY BOARD

1. The approval of the Supervisory Board is required for:

- (a) the allocation of duties of the Managing Board to individual members of the Managing Board;<sup>71</sup>
- (b) all transactions between any member of the Group and natural or legal persons who hold at least 10% of the shares in the Company that are of material significance to the Group and/or such persons;<sup>72</sup>
- (c) a resolution on the operational and financial aims of the Group, the strategy designed to achieve the aims, and the parameters to be applied in relation to the strategy;<sup>73</sup>
- (d) all transactions in which there are conflicts of interest with Managing Board members that are of material significance to the Group and/or the relevant Managing Board members;<sup>74</sup>
- (e) all transactions in which there are conflicts of interest with Supervisory Board members that are of material significance to the Group and/or the relevant Supervisory Board members;<sup>75</sup>
- (f) the appointment and dismissal of the Company Secretary;<sup>76</sup>
- (g) all transactions by any member of the Group regarding acquisition, divesture or joint venture projects with an invested capital (plus goodwill) in excess of € 30 million<sup>77</sup>;
- (h) the annual capital budget of the Group and semi-annual revision of such budget;
- (i) any investment projects of any member of the Group not included in the capital budget and acquisitions/divestments of assets in excess of € 30 million<sup>77</sup>;
- (j) lay-offs by any member of the Group<sup>78</sup> in excess of 250 persons within a 12 month period;
- (k) the corporate Annual Strategic Review (ASR);
- (l) the annual financing plan of the Group-and semi-annual revision of such plan;
- (m) guarantees by any member of the Group concerning non-consolidated companies if the value exceeds € 30 million<sup>77</sup>;
- (n) all other acts that require the approval by legislation, the Company's articles of association, the Regulations of the Managing Board, the Regulations of the Supervisory Board, the Dutch Corporate Governance Code or any other applicable legislation.

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<sup>71</sup> Regulations MB, clause 1.5.

<sup>72</sup> Regulations MB, clause 5.8.

<sup>73</sup> Regulations MB, clause 6.1.

<sup>74</sup> Regulations MB, clause 15.5.

<sup>75</sup> Regulations SB, clause 18.4.

<sup>76</sup> Regulations MB, clause 4.1.

<sup>77</sup> Threshold to be increased to € 60 million if undertaken by an entity in which the Group owns 50% of the capital and voting rights.

<sup>78</sup> Threshold to be increased to 500 persons in case of lay-offs by an entity in which the Group owns 50% of the capital and voting rights.

2. For information purposes, the Supervisory Board will be provided with the following:

- (a) a half year report of all sales and purchase contracts with a value in excess of € 30 million which were entered into by the Company or any member of its Group in the half year in question;
- (b) a yearly overview of the allocation of the Group's R&D spend;
- (c) lay-offs by any member of the Group of 100 to 250 persons<sup>79</sup> within a 12 month period.

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<sup>79</sup> Threshold to be increased to 200-500 persons in case of lay-offs by an entity in which the Group owns 50% of the capital and voting rights