

Remuneration report

1. Introduction

The remuneration report provides transparent information on Van de Velde's remuneration policy for its directors and members of the Management Committee, in accordance with the Belgian Corporate Governance Act of 6 April 2010 and the Belgian Corporate Governance Code. The underlying remuneration report will be submitted for approval to the General Meeting of 25 April 2018 and presented to the works council, in accordance with the provisions of the Act.

The company's remuneration policy is focused on attracting and retaining profiles with the experience needed to ensure the continuity and growth of the company. The aim of the reward policy is to ensure employees are properly compensated, based on the performance of the employee and the company. The evolution of the total reward is linked to the results of the company and individual performance.

2. Remuneration of the directors

The Nomination and Remuneration Committee makes recommendations to the Board of Directors with regard to the compensation for directors, including the chairman of the Board of Directors. These recommendations are subject to the approval of the Board of Directors.

The compensation for the non-executive directors is proposed to the General Meeting. They receive only fixed remuneration for their membership of the Board of Directors and the advisory committees on which they have a seat¹. The amount of the remuneration will only take into account their role in the Board of Directors and various committees, the ensuing responsibilities and time spent.

The non-executive directors receive no performance-related remuneration such as bonuses, long-term payments, non-cash benefits or pension plans. Non-executive directors are not granted any options or warrants.

As from 1 January 2016 Herman Van de Velde NV, permanently represented by Herman Van de Velde, was appointed as chairman. Herman Van de Velde NV receives an annual gross remuneration of 25,000 euro for its chairmanship, his membership of the Nomination and Remuneration Committee and the Strategic Committee. The other non-executive members receive annual remuneration of 15,000 euro for their membership of the Board of Directors and 2,500 euro for their membership of the Audit and/or Nomination and Remuneration Committee respectively. BVBA Dirk Goeminne and EBVBA Benoit Graulich are both a member of the Nomination and Remuneration Committee and Audit Committee, and therefore receive a total annual remuneration of 20,000 euro. Lucas Laureys is a member of the Audit Committee and receives an annual remuneration of 17,500 euro.

The members of the Board of Directors who are also members of the Management Committee receive no remuneration for their membership of the Board of Directors.

A directorship may be terminated at any time without any form of compensation. There are no employment contracts or service contracts that provide for notice periods or severance payments between the company and the members of the Board of Directors who are not members of the Management Committee.

3. The remuneration of the members of the Management Committee

The level and structure of the remuneration for the members of the Management Committee must be such that qualified and expert professionals can be attracted, retained and motivated, bearing in mind the nature and scope of their individual responsibilities. To this end, an international HR consultant is given the task of proposing the job weighting and the corresponding customary salary package in the relevant market. The compensation is regularly benchmarked on the basis of a relevant sampling of listed companies.

The managing director makes proposals to the Nomination and Remuneration Committee with regard to members' remuneration on an individual basis.

Other principles on which the remuneration policy is based:

- A member of the Management Committee who is also a member of the Board of Directors shall receive no remuneration for being a member of the Board of Directors.
- A member of the Management Committee who is also a managing director shall receive no remuneration for being a managing director.
- An appropriate part of the remuneration package of the members of the Management Committee must be linked to the performance of the company and individual performance, to the extent that the interests of the Management Committee are aligned with the interests of the company and its shareholders.
- If members of the Management Committee are eligible for a bonus based on the performances of the company or its subsidiaries or on individual performance, the remuneration report will state the criteria applied to evaluate the performance against the targets as well as the evaluation period. These details shall be published in such a way that no confidential information is disclosed with regard to the company's strategy.
- In principle, granted shares or other forms of deferred remuneration are not deemed to be acquired and options may not be exercised within three years of their grant date.

¹ Audit Committee and Nomination and Remuneration Committee

- Obligations of the company in the framework of premature exit arrangements will be closely investigated to ensure poor performance is not rewarded.

A variable annual remuneration ('team bonus') is granted to the CEO and the members of the Management Committee. This is based on the attainment of annual targets relating to the fiscal year for which the variable remuneration is payable, as set by the Nomination and Remuneration Committee. These targets are based on objective parameters and are closely linked to the results of the Group. Every year, the Nomination and Remuneration Committee evaluates the degree to which the targets¹ have been met and submits this report to the Board of Directors for approval. The maximum amount of this team bonus, not including the CEO, is 37,500 euro per member. For the CEO the maximum amount is 300,000 euro.

There is also an individual bonus scheme for some members of the Management Committee, including the CEO, based on the attainment of individual targets relating to the fiscal year for which the variable remuneration is payable, as set down every year in writing by the Nomination and Remuneration Committee. These targets are based on objective parameters and are closely dependent on the responsibilities of the member in question. The Nomination and Remuneration Committee evaluates the degree to which these individual targets have been attained and submits this report to the Board of Directors for approval. This individual variable remuneration may not exceed 37.5% of the annual gross salary² (with exception for the CEO). The CEO's individual variable remuneration may not exceed 150,000 euro.

In addition to the variable remuneration system, the Board of Directors retains the discretionary power to grant an additional bonus to the CEO and one or more members of the Management Committee to reward a specific performance or merit, on the proposal of the Nomination and Remuneration Committee.

For the CEO 2/3 of the total earned bonus is paid after the closure of the financial year. 1/3 of this bonus is paid as follows, provided the CEO is still working for Van de Velde at the time of the scheduled payment:

- 33% of this 1/3: in February of the second year after the financial year to which the bonus relates;
- 33% of this 1/3: in February of the third year after the financial year to which the bonus relates;
- 33% of this 1/3: in February of the fourth year after the financial year to which the bonus relates.

There are no special agreements or systems that entitle the company to claim back variable remuneration that has been paid out if it has been granted erroneously on the basis of data that subsequently proves to be incorrect. In such cases, the company will invoke the possibilities found in common law.

Plans in which members of the Management Committee are compensated in shares, share options or any other rights to acquire shares are subject to prior shareholder approval at the Annual General Meeting. The approval relates to the plan itself and not to the individual grant of share-based benefits under the plan. In principle, shares are not permanently acquired and options are not exercisable within fewer than three years.

The total gross remuneration (in 000 euro) (including remunerations received from other companies that form part of the Group) awarded in 2017 to the members of the Management Committee and the CEO were as follows:

	Management Committee ³	CEO
Basic remuneration	1,150 ⁴	544 ⁵
Variable remuneration	190	237 ⁶
Pensions/disability/ guaranteed income	23	0
Other benefits	17	0

The variable remuneration is the bonus acquired during the year under review. There are various types of grant, including cash, deferred payment and deposit into a supplementary pension plan. The members of the Management Committee who are also employees are also entitled to a company car with fuel card as per the company car policy, meal vouchers, a group insurance (pension plan including a disability and decease coverage) and hospitalization insurance.

¹ In respect of the targets related to the results of the Group, the audited accounts are used as a basis to determine whether these targets have been reached.

² For some members of the Management Committee, the maximum is lower.

³ Excluding the CEO. If remunerated through a management agreement, the total cost of company is included. If remunerated through an employment contract, the social security charges paid by the employer are not included.

⁴ Departure holiday pay is included in the figures

⁵ The figures display the cost for the company

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Currently, two members of the Management Committee are employed on the basis of an employment contract, which can be terminated, subject to the notice term calculated in accordance with the applicable labour laws. This notice term can be replaced by a corresponding termination indemnity as the company sees fit. No other termination indemnity is provided for. However, in the event of a termination for urgent cause, the contract can be terminated with immediate effect.

The CEO and two other members of the Management Committee are engaged on an independent basis. The notice period in the management agreements is no more than six months.

During 2017 no termination indemnity was granted to any of the members of the Management Committee.

4. Remuneration policy for coming years

No extraordinary changes to the remuneration policy are expected for coming years and the above-mentioned provisions will remain in force.

5. Share-based payments

The General Meeting of 29 April 2015 approved the 2015 option plan giving the Nomination and Remuneration Committee the power to grant options on the company's shares to the members of the Management Committee for a term of five years. These options are granted at no charge. The exercise price per share of the options is equal to (i) the average closing price of the share in the course of the thirty calendar days prior to the date of the offer or (ii) the closing price of the final trading day preceding the date of the offer, whichever is lowest. An option remains valid for ten years. The company and the option holder may decide by mutual agreement to reduce the terms of validity of the option below ten years but never below five years. The options cannot be exercised before the end of the third calendar year after the year in which they are offered.

In 2017 20,000 options in total were granted to the members of the Management Committee and 10,000 options were exercised. No unexercised options expired.

	Options end 2016	Granted and accepted in 2017	Exercised in 2017		Options end 2017
		Number	Number	Exercise price	
EBVBA 4F ¹	8,500	0	5,000	34.89	3,500
Herman Van de Velde NV	10,000	0	5,000	34.89	5,000
Hedwig Schockaert	10,000	5,000	0		15,000
YWMA BVBA	5,000	5,000	0		10,000
Positron BVBA	5,000	5,000	0		10,000
Bart Rabaey Consulting VOF	5,000	5,000	0		10,000
	43,500	20,000	10,000		53,500

¹ EBVBA 4F, permanently represented by Ignace Van Doorselaere, CEO up to 31 October 2016.

Major characteristics of internal control and risk management systems

The Management Committee leads the company within the framework of careful and effective control, which makes it possible to evaluate and manage risks. The Management Committee develops and maintains appropriate internal controls that offer reasonable assurance on the attainment of the goals, the reliability of the financial information, compliance with applicable laws and regulations, and the execution of internal control processes.

The Board of Directors oversees the proper functioning of the control systems through the Audit Committee. The Audit Committee evaluates the effectiveness of the internal control and risk management systems at least once a year. It must ensure that significant risks are properly identified, managed and brought to its attention.

In *monitoring the financial reporting*, the Audit Committee especially evaluates the relevance and coherence of the financial statement standards applied by the company and its Group. This entails an assessment of the accuracy, completeness and consistency of the financial information. The Audit Committee discusses significant financial reporting issues with executive management and the external auditor.

The Board of Directors bears responsibility for analysis and proactive measures and plans with regard to *strategic risks*. The Board of Directors approves the strategy and goals every year. An annual growth plan for the following year is presented to the Board of Directors for approval. The growth plan is monitored systematically during the meetings of the Board of Directors, and may be adapted on the basis of changed prospects.

Operational risks are regularly identified, updated and evaluated. The operational risks are documented and a number of actions are taken to manage the risks. The financial department is responsible for monitoring and reporting these. The Management Committee bears the responsibility for analysis, proactive measures and plans with regard to operational risks.

For each process, internal controls should be in place guaranteeing, where possible, the proper functioning of this process. The effectiveness of the internal controls that are important for the completeness and correctness of the reported figures is regularly verified by the financial department, on the basis of random sampling. An example is the permanent stock system for raw materials and finished products.

Additional information is provided in the company's Corporate Governance Charter as published on the website.

With respect to risk management, we also refer to note 30 related to 'Business risks with respect to IFRS 7'.

Shareholding structure on the balance sheet date

The subscribed capital is 1,936,173.73 euro. It is represented by 13,322,480 shares.

Within the framework of Belgium's Transparency Act of 2 May 2007 stakes must be made public in accordance with the thresholds provided for by the Articles of Association. The thresholds in Van de Velde's Articles of Association are:

- 3%;
- 5%;
- multiples of 5%.

Van de Velde Holding NV holds 7,496,250 (56.27%) shares. It does so through the Vesta foundation as well as Hestia Holding NV and Ambo Holding NV. Vesta foundation and Hestia Holding NV together represent the interests of the Van de Velde family; Ambo Holding NV represents the interests of the Laureys family.

Information about specific safeguards

A majority of Van de Velde NV's directors are appointed from the candidates nominated by Van de Velde Holding NV, as long as it directly or indirectly holds no less than 35% of the company's shares.

Miscellanea

Insider trading

The members of the Board of Directors and some employees that may possess important information ('insiders') have signed the protocol preventing abuse of privileged information. This means that anyone wishing to trade in Van de Velde shares must first request the permission of the Compliance Officer.

Insiders are not permitted to trade in securities in the following periods:

- (i) The period between the final meeting of the Board of Directors prior to the end of the year and the moment the annual results are announced;
- (ii) The period of two months immediately prior to the announcement of the company's half-year results or the period commencing at the time of closure of the half year in question and ending at the time of publication of the half-year results, whichever is shorter.

The Board of Directors can impose a general transaction ban on all insiders in other periods that may be considered to be sensitive.

All other staff at Van de Velde have been notified in writing of the statutory stipulations concerning abuse of insider knowledge.

Transactions between the company and its directors

The company's Corporate Governance Charter, which is published on the company's website, explains the rules applicable to transactions and other contractual links between the company, including its affiliated companies, and its directors and members of the Management Committee that are not covered by the conflict of interests scheme.

During 2017 no such transactions or other contractual links occurred.

Statutory auditor

The General Meeting of 27 April 2016 of Van de Velde NV appointed Ernst & Young Bedrijfsrevisoren BVCBA, Moutstraat 54, 9000 Ghent, represented by Paul Eelen, as the statutory auditor. This appointment runs until the Ordinary General Meeting of 2019.

Regular consultations are held with the statutory auditor, who is also invited to the Audit Committee for the half-year and annual reporting. The statutory auditor has no relationship with Van de Velde that could impact his opinion.

The annual remuneration in 2017 for auditing of the statutory and consolidated financial statements of Van de Velde NV was 59,515 euro (excl. VAT). The total costs for 2017 for the auditing of the annual accounts of all companies of the Van de Velde Group were 154,378 euro (excl. VAT), including the aforementioned 59,515 euro.

In accordance with Article 134 of Belgium's Companies Code, Van de Velde announces that the remuneration given to the statutory auditor for exceptional and special tasks and to the persons with whom the statutory auditor has a professional relationship was 31,805 euro (excl. VAT), all of which was for tax advice and compliance tasks.

Belgian Code on Corporate Governance

Van de Velde NV complied with the majority of the principles laid down in the Belgian Code on Corporate Governance. The Code was not complied with in one case however due to the character of the company and the importance of the proper functioning of its bodies and employees.

Non-compliance with the Code concerns:

(i) Principle 5.2/28, The Audit Committee meets at least four times per year.

Given that the Board of Directors (which meets at least four times per year) gives sufficient attention to financial reporting, the Audit Committee met only three times in 2017.

Conflict of Interests Scheme

In 2017 no conflicts of interests were declared in the Board of Directors within the meaning of Article 523 of Belgium's Companies Code.