



## **Management Board Regulations**

**ROYAL FLORAHOLLAND COOPERATIVE U.A.**

Adopted on 28 November 2018

TABLE OF CONTENTS

INTRODUCTION.....	3
ARTICLE 1 – GENERAL, STATUS AND CONTENT OF THE RULES .....	3
ARTICLE 2 - INCIDENTAL NON-COMPLIANCE, AMENDMENT .....	3
COMPOSITION AND APPOINTMENT .....	4
ARTICLE 3 - COMPOSITION OF THE MANAGEMENT BOARD AND THE MANAGEMENT TEAM.....	4
ARTICLE 4 – TERM OF OFFICE .....	5
ARTICLE 5 – REMUNERATION AND SUPPLEMENTARY EMPLOYMENT BENEFITS .....	5
ALLOCATION OF DUTIES AND WORKING PROCEDURE .....	6
ARTICLE 6 - DUTIES OF THE MANAGEMENT BOARD AND THE MANAGEMENT TEAM.....	6
ARTICLE 7 - CHAIR OF THE MANAGEMENT BOARD .....	6
ARTICLE 8 – SECRETARY .....	7
ARTICLE 9 – MEETINGS AND DECISION-MAKING .....	7
ARTICLE 10 - CONFLICT OF INTERESTS .....	8
ARTICLE 11 - CONFIDENTIALITY .....	8
ARTICLE 12 - CODE OF CONDUCT .....	9
RELATIONSHIPS AND DUTIES WITH REGARD TO BODIES OF ROYAL FLORAHOLLAND.....	9
ARTICLE 13 – RELATIONSHIP WITH THE MEMBERS' COUNCIL.....	9
ARTICLE 14 - RELATIONSHIP WITH THE WORKS COUNCIL.....	9
ANNUAL FINANCIAL STATEMENTS, ANNUAL REPORT AND THE EXTERNAL AUDITOR .....	9
ARTICLE 15 – ANNUAL FINANCIAL STATEMENTS AND ANNUAL REPORT OF THE MANAGEMENT BOARD .....	9
ARTICLE 16 – EXTERNAL AUDITOR .....	10

## **ROYAL FLORAHOLLAND MANAGEMENT BOARD REGULATIONS**

### **INTRODUCTION**

#### **Article 1 – General, status and content of the rules**

- 1.1 These regulations (the ‘Regulations’) were drawn up by the Supervisory Board (the ‘SB’) of Royal FloraHolland Cooperative U.A. (‘Royal FloraHolland’) in accordance with the provisions of Article 21 par. 5 of the Articles of Association of Royal FloraHolland (the ‘Articles of Association’) and serve as a supplement to the rules and regulations that apply to the Management Board in accordance with Dutch law and/or the Articles of Association.
- 1.2 These Regulations were adopted by the SB on 28 November 2018 and replace the Regulations adopted on 29 November 2017.
- 1.3 In the event of inconsistency between these Regulations and Dutch law or the Articles of Association, the latter will prevail. Wherever these Regulations are compatible with the Articles of Association but in conflict with Dutch law, the latter will prevail. If one of the provisions in these Regulations is not valid or no longer valid, this will not affect the validity of the other provisions. The SB will replace the invalid provisions with valid provisions whose effect in terms of their content and meaning are as close as possible to the invalid provisions.
- 1.4 These Regulations were drawn up in accordance with the NCR Code for cooperative companies (the ‘NCR Code’). Several best practices for the Management Board are formulated in the NCR Code. With respect to the provisions for the management team included in these regulations, the SB has sought to align them with the provisions in the Netherlands Corporate Governance Code (version of 8 December 2016), which add a number of provisions relating to the executive committee (the ‘NCG Code’). Although Royal FloraHolland is not obliged to apply either the NCR Code or the NCG Code, Royal FloraHolland intends to voluntarily apply the corporate governance principles and best-practice provisions in so far as they are not already enshrined in the current structure of Royal FloraHolland.
- 1.5 Royal FloraHolland has weighed the principles and best-practice provisions specified in the NCR Code, and with respect to the management team in the NCG Code, against the control structure of Royal FloraHolland. In the event of conflict, a decision is made not to apply a principle or best-practice provision.

#### **Article 2 - Incidental non-compliance, amendment**

- 2.1 Without prejudice to the provisions in Article 1 par.3 of these Regulations, the SB may decide in exceptional cases not to apply these Regulations when making a decision.
- 2.2 Without prejudice to the provisions in Article 1 par.3 of these Regulations, the SB may resolve to amend these Regulations.

## **COMPOSITION AND APPOINTMENT**

### **Article 3 - Composition of the Management Board and the management team.**

- 3.1 In accordance with Article [20 par.1] of the Articles of Association, the Management Board is composed of at least two natural persons: a general director ('CEO') and a financial director ('CFO'). Both hold the position of director in accordance with the Articles of Association. The Management Board is entitled to set up a management team (the 'MT') that is tasked with the management of the company under the managerial responsibility of the Management Board.
- 3.2 When selecting prospective members for the Management Board, the selection and remuneration committee (the 'Remco') of the SB ensures that the Management Board is composed in such a way as to allow its members to exercise their duties independently and critically with respect to each other and to the members of the SB.
- 3.3 (a) The Remco draws up a profile for the Management Board in consultation with the Advisory Councils, which describes the integrity, expertise and availability of the members of the Management Board as deemed necessary. The current profile is set out in Appendix A to these Regulations.
- (b) The Management Board draws up a profile for the composition of the MT and presents it to the SB for approval. The current profile is set out in Appendix B to these Regulations.
- 3.4 The starting points are that a member of the Management Board and, to the extent applicable, every MT member:
- a. will not compete with Royal FloraHolland;
  - b. will not demand or accept any gifts (substantial or otherwise) from Royal FloraHolland for himself/herself, for his/her spouse, registered partner or other life companion, foster child or blood relative or relative in the second degree;
  - c. will not provide third parties with unjustified benefits at Royal FloraHolland's expense;
  - d. will not take advantage of any commercial opportunities available to Royal FloraHolland for himself/herself, or his/her spouse, registered partner or other life companion, foster child or blood relative or relative in the second degree;
  - e. will not hold more than two supervisory board positions, whereby chairmanship and membership of a one tier-board is excluded, with major legal entities, these being public limited companies, private limited companies or foundations. A company is deemed major if it fulfills at least two of the criteria set out in Article 2:397 of the Dutch Civil Code. Members of the Management Board may only apply for supervisory board positions or other important additional positions after receiving prior approval from the SB. The members of the MT may only apply for such positions after prior approval from the Management Board. The Management Board will inform the SB about all its approved additional positions. Any benefits associated with the fulfillment of these additional positions will accrue to the relevant person or to Royal FloraHolland in consultation with the Remco. The Remco will inform the SB of this.
- 3.5 (a) The members of the Management Board are appointed, suspended and dismissed by the SB with due observance of the relevant provisions in the Articles of Association. The CEO will act as chair of the Management Board. The Remco advises the SB about each proposed candidate.

(b) The MT members are appointed, suspended and dismissed by the Management Board. The Management Board will draw up a job description and job title for each member. The Management Board also determines the authority of the relevant member to represent the cooperative, either independently or with others. The Management Board will discuss these job descriptions and any change thereto with the Remco and will send this information to the SB. Prior approval from the SB is required for the suspension or dismissal of an MT member.

(c) For the selection of a candidate for the MT, the Management Board will draw up a list of preferably at least 2 candidates. Each of these candidates will be interviewed by the Remco, after which the Remco and the Management Board will try to agree on the definitive choice.

3.6 The chair of the Management Board ensures that the Management Board and the MT function properly.

3.7 (a) The distribution of tasks within the Management Board is determined (and modified as necessary) by the SB, in response to proposals by the Management Board or the SB. The Management Board remains collectively responsible for decisions, also if they were prepared by individual members of the Management Board.

(b) The distribution of tasks within the MT is determined (and modified as necessary) by the Management Board after consultation with the SB and in keeping with the profile approved by the Remco.

#### **Article 4 – Term of office**

The members of the Management Board are appointed for a term of office of 4 years. The members of the MT are appointed for an indefinite term.

#### **Article 5 – Remuneration and supplementary employment benefits**

5.1 (a) The remuneration and supplementary employment benefits of the individual members of the Management Board are determined by the SB in response to proposals by the Remco. When setting the remuneration, the effect of the level of the remuneration on the remuneration ratios within Royal FloraHolland is taken into account.

(b) The Management Board sets the remuneration and other employment terms of the members of the MT and informs the Remco thereof.

(c) The Management Board sets the targets based on which the variable part of the remuneration of the members of the MT is calculated and determines whether and to what extent the MT members have achieved these targets and what variable remuneration will be paid on account thereof, and it informs the SB of its findings.

(d) The payments and other employment terms set by the Management Board, including the criteria for the variable part of the remuneration, must be in line with the remuneration policy adopted by the SB. The Management Board annually reports to the SB about the way in which this policy has been put into practice.

(e) The Management Board periodically evaluates the performance of the members of the MT. The Management Board annually discusses the performance of the MT with the SB.

- 5.2 Royal FloraHolland will take out public liability insurance for the members of the Management Board to cover costs made in connection with civil law, criminal law or administrative law proceedings in which they become involved due to the fact that they are or were a director of Royal FloraHolland.

## **ALLOCATION OF DUTIES AND WORKING PROCEDURE**

### **Article 6 - Duties of the Management Board and the management team**

- 6.1 The Management Board is charged with managing Royal FloraHolland, which means that the Management Board is responsible for achieving the objectives of Royal FloraHolland, for the strategy with the associated risk profile, for the profit development, for the business management and for the social aspects of running a business where relevant to Royal FloraHolland. In managing the company, the Management Board is assisted by the MT. The Management Board is accountable for its management duties to the SB and to the Members' Council of Royal FloraHolland. Only the members of the Management Board are liable towards the cooperative for the management duties conducted.
- 6.2 The Management Board carries out its tasks under the supervision of the SB. The Management Board takes into account the restrictions and rules imposed by the SB. The Management Board will provide, both on its own initiative and upon request, the SB and the committees with all information they need to be able to supervise adequately and exercise their duties.
- 6.34 The members of the Management Board and the MT present uniform viewpoints to the outside world regarding important matters, matters of principle and matters of public interest, taking into account the responsibility of the individual members of the Management Board and the MT.
- 6.5 The Management Board and the MT will ensure that employees have the possibility to report suspected irregularities of a general, operational or financial nature within Royal FloraHolland to the CEO or to an officer designated by him/her, without jeopardizing their legal position. Suspected irregularities concerning the functioning of the members of the Management Board and the MT are reported to the chair of the SB.

### **Article 7 - Chair of the Management Board**

The duties of the chair of the Management Board, besides coordinating the Management Board policy, include responsibility for the following tasks:

- a. the effective functioning of the Management Board and the MT;
- b. supervising compliance by the members of the Management Board and the MT with the provisions in these Regulations;
- c. supervising compliance by the members of the Management Board and, to the extent applicable, the members of the MT with agreements made between the SB and the Management Board;
- d. conducting regular consultations with the chair of the SB and ensuring maintenance of an optimal relationship of the Management Board and the MT with the SB and committees of the SB;
- e. consulting with the Works Council of Royal FloraHolland.

## **Article 8 – Secretary**

- 8.1 The Management Board is authorized to designate a secretary to support the Management Board and the MT.
- 8.2 The secretary ensures that the correct procedures are followed and that the actions taken are in accordance with the legal obligations and obligations under the Articles of Association as well as the Codes.
- 8.3 The secretary can delegate his/her duties, or parts thereof, to people who work for Royal FloraHolland.

## **Article 9 – Meetings and decision-making**

- 9.1 In principle, the Management Board and the MT meet weekly, or more often if this is considered desirable or necessary for proper operations. The chair of the Management Board acts as chair of the MT. In his absence the meetings of the MT are chaired by another member of the Management Board. If none of the members of the Management Board are present, the managers will designate the chair of the MT meeting.
- 9.2 Minutes of the proceedings in meetings of the Management Board and the MT are drawn up. The minutes are adopted by the Management Board at the next meeting. These minutes record the decisions taken.
- 9.3 If the Management Board meets jointly with the MT, they will endeavor to take decisions unanimously.  
Each member at the meeting casts one vote. If unanimity cannot be reached, decisions will be taken with an absolute majority of the votes, whereby both the CEO and the CFO must vote in favor of the relevant decision.
- If the votes within the Management Board are tied, no decision can be taken. The Management Board may only take decisions during meetings if the majority of the members of the Management Board appointed at that time are present or represented at the meeting.
- If both directors of the Management Board are not present or represented in a meeting, any decision taken by the MT is conditional. The directors may endorse such a conditional decision, after which it will be deemed to be a validly taken decision. The secretary will keep a record of decisions endorsed in this way.
- 9.4 A decision taken outside a meeting is documented in the minutes of the next meeting.
- 9.5 On the basis of Articles 5.2, 11.5, 12.5 and 14.7 of the Articles of Association, the specifications below determine when the Management Board requires approval from the SB or when the SB can issue instructions:
- a. When the Management Board applies the hardship clause as specified in Article 5.2 of the Articles of Association, prior approval from the Cooperative Committee is required for a sum exceeding €25,000. All individual payments to members must be reported to the Cooperative Committee of the SB.
  - b. If the Management Board avails itself of its authority to suspend members, cancel their membership or strip them of membership, the Management Board must report to the Cooperative Committee, which can subsequently issue instructions.

- 9.6 Aside from the decisions specified in the Articles of Association, the Management Board requires prior approval from the SB for decisions concerning contracts with suppliers exceeding €5 million.
- 9.7 The SB may lay down guidelines to which the Management Board is bound in the exercise of its duties.

#### **Article 10 - Conflict of interests**

- 10.1 A member of the Management Board immediately reports a (potential or actual) conflict of interest that is of material importance for Royal FloraHolland and/or for the board member concerned to the chair of the SB, and immediately provides all relevant information about the case, including relevant information concerning his/her spouse, registered partner or other life companion, foster child or blood relative or relative in the second degree. The SB decides in the absence of the board member concerned whether it approves entering into such a transaction. Any MT member will report a (potential or actual) conflict of interest as meant above to the chair of the Management Board. The provisions above will be applied by analogy as far as possible, with the proviso that the required approval may be granted by the chair of the Management Board. The chair of the Management Board will inform the SB of all approvals granted thus.
- 10.2 A conflict of interest definitely exists when Royal FloraHolland intends to enter into a transaction:
- a. in which a member of the Management Board or the MT has a personal material financial interest;
  - b. in which the third party has a family-law relationship to the relevant person;
  - c. in which the relevant person has an executive or supervisory position with the third party.
- 10.3 A Management Board member or a member of the MT shall not take part in the discussion of and the decision-making on a subject or transaction in which he/she has a conflict of interest with Royal FloraHolland. Such a transaction will only be entered into under conditions that are at least in line with normal industry practice. If only one or none of the members of the Management Board or members of the MT can take part in the decision-making as a consequence of this, the decision will be taken by the SB, and the SB will be authorized to represent Royal FloraHolland in the execution of the decision.
- 10.4 A decision of the Management Board involving a conflict of interest of a director requires approval from the SB.

#### **Article 11 - Confidentiality**

Each member of the Management Board and of the MT is required to observe the necessary discretion with regard to all information and documentation received in connection with his/her membership, and to maintain confidentiality if the information is confidential. Members and former members of the Management Board and the MT will not disclose confidential information outside the Management Board, the MT or the SB or make it available in any other way to the public or to third parties, unless Royal FloraHolland has already made this information public or has ascertained that this information is already known to the public.

## **Article 12 - Code of conduct**

The Management Board establishes a code of conduct, including a whistleblower's code, that ensures that employees have the opportunity to report suspected irregularities of a general, operational or financial nature within Royal FloraHolland to the chair of the Management Board or to an officer designated by him/her without jeopardizing their legal position, or, if the finding concerns the Management Board itself, to the chair of the SB..

## **RELATIONSHIPS AND DUTIES WITH REGARD TO BODIES OF ROYAL FLORAHOLLAND**

### **Article 13 – Relationship with the Members' Council**

- 13.1 At the SB's request, the Management Board ensures that the Members' Council is convened correctly and is provided with all required information and all further information requested by the Members' Council, unless doing so conflicts with material interests of Royal FloraHolland or with a legal provision or rule of law.
- 13.2 The members of the Management Board attend the Members' Council Meetings unless they are prevented from doing so.

### **Article 14 - Relationship with the Works Council**

- 14.1 The chair of the Management Board generally consults with the Works Council, but another Management Board member may deputize for him/her. If no preliminary talks have been held within the Management Board about important matters that are to be discussed in the consultation with the Works Council, the chair expresses a reservation or requests a suspension in order to confer with the other members of the Management Board. Other staff members of Royal FloraHolland can participate in the consultation if important aspects of their area of expertise are to be discussed by the Works Council, at the invitation of the chair of the Management Board.
- 14.2 If the Management Board requires both the approval of the SB and a recommendation from the Works Council for a proposal, the proposal must first be submitted to the SB for approval. If approval is obtained from the SB, it is assumed to have been granted under the condition of obtaining a positive or a non-negative recommendation from the Works Council.

## **ANNUAL FINANCIAL STATEMENTS, ANNUAL REPORT AND THE EXTERNAL AUDITOR**

### **Article 15 – Annual financial statements and annual report of the Management Board**

- 15.1 The Management Board is responsible for the quality and completeness of the disclosed financial information. The preparation and publication of the annual report, the annual financial statements, the annual figures, periodic reports and other ad hoc financial information require careful internal procedures. The Management Board, supported in this matter by the MT, is responsible for the implementation and enforcement of internal procedures aimed at ensuring that all key financial information is known to the Management Board and the MT, so as to ensure the promptness, completeness and accuracy of the external financial reporting.
- 15.2 The report of the Management Board qualifies as the report of the executive board within the meaning of Article 2:391 of the Dutch Civil Code and forms part of Royal FloraHolland's annual report. In this report, the Management Board describes the principal risks related to

the Royal FloraHolland strategy, the choice to work with the MT, the role, duties and composition of the MT, the way in which the contact between the SB and the MT has been given shape, and also gives a description of the design and working of internal risk management and control systems for the principal risks, any important shortcomings found in the internal risk management and control systems, which significant changes were made to these systems, if any, and which significant improvements in these systems are planned, if any, and confirms that these findings have been discussed with the SB, in particular the audit committee.

- 15.3 Regarding the financial reporting risks, the Management Board declares in the annual report that the internal risk management and control systems provide a reasonable measure of assurance that the financial reports do not contain any inaccuracies of material importance and that the risk management and control systems are functioning properly. The Management Board provides clear substantiation of this.
- 15.4 The annual financial statements, the annual report and any additional data, the profit appropriation proposal and the declarations of the internal and external auditors are discussed by the SB in its meeting every year within six months after the end of the financial year and before publication.
- 15.5 The prepared annual financial statements are signed by the members of the Management Board and by the supervisory directors. If one or more of their signatures are missing, this will be reported together with the reasons for this.
- 15.6 The Management Board ensures that within six months after the end of the financial year the Members' Council will be convened and the annual financial statements approved. After approval, the Management Board will ensure that the annual financial statements and annual report are published within 8 days.

#### **Article 16 – External Auditor**

- 16.1 The Management Board ensures that the external auditor can carry out his audit properly and facilitates the proper exercise of the role of the external auditor as well as the role and policy of Royal FloraHolland concerning the external auditor, these Regulations, the SB Regulations and the regulations of the audit committee of the SB.
- 16.2 At least once per year the Management Board will report jointly with the MT members to the audit committee of the SB on the developments in the relationship with the external auditor.
- 16.3 The Management Board and the audit committee conduct a thorough evaluation at least once every three years of the functioning of the external auditor in the different entities and capacities in which the external auditor is active.