

## **Rules of Procedure<sup>1;2</sup>**

### **Supervisory Board Akzo Nobel N.V.**

*Adopted by the Supervisory Board on February 3, 2005,  
Revisions approved by the Supervisory Board on December 7, 2007, March 5, 2009,  
December 10, 2009, February 16, 2011, April 27, 2011 and most recently amended on  
September 15, 2011.*

#### **Chapter I Regulations**

##### **1. Responsibilities of the Supervisory Board**

- I.1.1. It is the duty of the Supervisory Board of Akzo Nobel N.V. (the "Supervisory Board") to exercise supervision over the policies adopted by the Board of Management of Akzo Nobel N.V. (the "Board of Management") and over the general conduct of the business of Akzo Nobel N.V. and its subsidiaries (the "Company"). Furthermore, the Supervisory Board shall provide the Board of Management with advice. The Executive Committee, which encompasses the members of the Board of Management, is responsible for the daily management of the company. The oversight role of the Supervisory Board equally applies to the policies and conduct of the Executive Committee. However, the Board of Management will continue to be the interface for the Supervisory Board with management.
- I.1.2. The general duties of the Supervisory Board include supervising, monitoring, and advising the Board of Management and the Executive Committee on:
- (a) achievement of the Company's operational and financial objectives;
  - (b) corporate strategy;
  - (c) the risks inherent in the business activities;
  - (d) the design and effectiveness of the internal risk management and control systems;
  - (e) the main financial parameters and the financial reporting process;
  - (f) compliance with applicable laws and regulations;
  - (g) corporate social responsibility issues which are relevant to the Company;
  - (h) the company shareholder relationship.
- I.1.3. The Supervisory Board is also responsible for:
- (a) selecting and recommending the appointment of the members of the Board of Management, proposing the remuneration policy for members of the Board of Management (such policy to be adopted by the General Meeting of Shareholders), fixing the remuneration and contractual terms and conditions of employment of members of the Board of Management;
  - (b) approving proposals from the CEO for the appointment and dismissals of other Executive Committee members (not being Board of Management members) and the remuneration of these Executive Committee members;
  - (c) selecting and recommending appointment of the members of the Supervisory Board and proposing the remuneration of its members;

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<sup>1</sup> These Rules of Procedure include the terms of reference of the Supervisory Board and its permanent committees as referred to in provisions III.1.1 and III.5.1, respectively, of the Dutch Corporate Governance Code.

<sup>2</sup> In these Rules of Procedure, any reference to a gender shall include all genders.

- (d) evaluating and assessing the functioning of the Board of Management and the Supervisory Board, their individual members and the committees of the Supervisory Board (including the evaluation of the Supervisory Board's profile and the introduction, education and training program (see also article 9.I.9.12 and 9.I.9.13);
  - (e) disclosing, complying with and enforcing the Company's corporate governance structure;
  - (f) examining the annual financial statements, making a recommendation on the annual financial statements (see also article 9.I.9.14) and approving the Company's annual budgets and major capital expenditures (see also article 11.I.11.1);
  - (g) selecting and recommending the appointment of the Company's external auditor.
- I.1.4. In the performance of their duty, the Supervisory Board members shall be guided by the interests of the Company. They shall take into account the relevant interests of all stakeholders rather than the interests of any particular stakeholder. The Supervisory Board shall also have due regard for sustainability issues that are relevant to the Company.
- I.1.5. The Supervisory Board and its members shall act in a manner that is critical and constructive, in accordance with the articles of association of the Company (the "Articles of Association"), and geared toward ensuring continuity of the Company.
- I.1.6. The Supervisory Board shall prepare for publication in the annual report of the Company a report on its functioning and activities during the Company's financial year ("the report of the Supervisory Board").

## **2. Composition of the Supervisory Board**

- I.2.1. The number of members of the Supervisory Board is determined by the Supervisory Board itself. In principle, the number of members of the Supervisory Board shall not be lower than 8 and not more than 15.
- I.2.2. The composition of the Supervisory Board shall be governed by the "Profile of the Supervisory Board" as presented in Chapter II of these Rules of Procedure. This profile will be reviewed regularly by the Supervisory Board.
- I.2.3. The Supervisory Board shall review its own performance. A Supervisory Board member will retire early in the event of inadequate functioning, structural difference of opinion, structural conflict of interest, and in other instances where retirement is deemed necessary at the discretion of the Supervisory Board.

## **3. Independence**

- I.3.1. All Supervisory Board members, with the exception of one, shall be independent in accordance with applicable laws and regulations. Each of the Supervisory Board members will yearly complete an independence questionnaire addressing the relevant requirements for independence.
- I.3.2. In special circumstances, the nomination for a Supervisory Board member may deviate from the rule mentioned under article I.3.1.
- I.3.3. The report of the Supervisory Board shall state that, with respect to each member of the Supervisory Board, the independence criteria have been fulfilled, and which Supervisory Board member is not considered to be independent, if any.

#### **4. Appointment and reelection**

- I.4.1. The members of the Supervisory Board are appointed by the General Meeting of Shareholders in accordance with the Articles of Association of Akzo Nobel NV (the "Articles of Association").
- I.4.2. Members shall in principle be appointed for a period of four years and resign at the first General Meeting of Shareholders after the period of their appointment has elapsed. Thereafter, members may be reelected twice for a period not to exceed four years.
- I.4.3. In special circumstances, including but not limited to reasons of succession planning, the proposal for the reelection of a Supervisory Board member may deviate from the principle mentioned under articles I.4.2 and members may be requested to resign prior to the end of their term.
- I.4.4. Reelection to the Supervisory Board shall be dealt with in the same manner and with the same degree of diligence as election to the Supervisory Board for the first time.
- I.4.5. The Supervisory Board shall draw up a rotation schedule in accordance with the Articles of Association. In doing so the Supervisory Board shall, in so far as possible, seek to avoid a situation in which many reappointments occur simultaneously, while further taking into account the Supervisory Board's succession planning. The rotation schedule shall be made available on the Company's website.

#### **5. Position of individual Supervisory Board members**

- I.5. The Supervisory Board members are not employees of the Company. They will receive an annual remuneration as a member of the Supervisory Board. They will not be granted any shares and/or rights to shares in the Company by way of remuneration. Furthermore, the Company shall not grant any personal loans, guarantees or the like to the Supervisory Board members.

#### **6. Information**

- I.6.1. After their appointment, all Supervisory Board members shall follow an induction program, which in any event covers general financial and legal affairs, financial reporting and auditing, the business areas of the Company, the duties of the Supervisory Board and the corporate governance structure of the Company.
- I.6.2. The Supervisory Board members receive all relevant information to carry out their duties from (a member of) the Board of Management. If the Supervisory Board considers it necessary, it may request the Board of Management for additional information from other officers and/or external advisors of the Company. The Supervisory Board may require that certain officers and external advisers attend its meetings.

#### **7. Responsibilities of the Chairman, Deputy Chairman and Secretary**

##### **Chairman**

- I.7.1. The Supervisory Board shall appoint from among its members a chairman (the "Chairman").

- I.7.2. The Chairman determines the agenda, presides over the meetings, and is responsible for the proper functioning of the Supervisory Board and its Committees.
- I.7.3. The Chairman acts on behalf of the Supervisory Board as the main contact for the Board of Management. He coordinates the contacts between the Supervisory Board and the Board of Management, and remains in close and frequent contact with the chairman of the Board of Management, and, if and when required, with the other members of the Board of Management and Executive Committee. The Chairman furthermore acts on behalf of the Supervisory Board as the main contact for the Board of Management and for shareholders regarding the functioning of the members of the Board of Management and the Supervisory Board.
- I.7.4. The Chairman discusses with the Chairman of the Board of Management matters such as the agenda of the meetings of the Supervisory Board and such other subjects the Supervisory Board may entrust to the Chairman.
- I.7.5. The Chairman and the Secretary shall monitor the information to be submitted by or on behalf of the Board of Management to the Supervisory Board and request such other information as deemed appropriate.

#### **Deputy Chairman**

- I.7.6. The Supervisory Board shall appoint from among its members a Deputy Chairman.
- I.7.7. If the Chairman is prevented or unavailable, his tasks shall be performed and his powers exercised by the Deputy Chairman. If both the Chairman and Deputy Chairman are prevented or unavailable, the Supervisory Board shall appoint from among its members a person authorized to do so.
- I.7.8. The Deputy Chairman shall act as contact for individual members of the Supervisory Board and Board of Management concerning the functioning of the Chairman.

#### **Secretary**

- I.7.9. The Chairman is assisted by one or more Secretaries, who may, but need not be, a member of the Supervisory Board.
- I.7.10. The Secretary shall be appointed and dismissed by the Supervisory Board
- I.7.11. The Secretary shall ensure that the correct procedures are followed and that the Supervisory Board acts in accordance with its statutory obligations and its obligations under the Articles of Association. He shall assist all members of the Supervisory Board and in particular the Chairman in the organization of the affairs of the Supervisory Board, including the induction program for the Supervisory Board members.

### **8. Committees of the Supervisory Board**

- I.8.1. The Supervisory Board may cause one or more of its powers to be exercised wholly or partly by one or more of its members whom it has duly designated therefore (also referred to as "Committees"). A resolution to that effect shall require the approval of all members of the Supervisory Board. The Committees have no independent or assigned power unless and to the extent explicitly assigned by these Rules of Procedure or by the Supervisory Board. The Committees regularly report on their actions, reviews, proposals, and findings to the full Supervisory Board.

- I.8.2. The members of a Committee shall be appointed by the Supervisory Board, which will also appoint a Committee Chairman and, if deemed desirable, a Secretary.
- I.8.3. Three permanent Committees shall assist the Supervisory Board: an Audit Committee, a Remuneration Committee, and a Nomination Committee. The Charters of these Committees are included in these Rules of Procedure under Chapters III, IV, and V.
- I.8.4. The report of the Supervisory Board shall state the composition of the Committees, the number of Committee meetings and the main items discussed during the reporting year.

## **9. Meetings of the Supervisory Board**

- I.9.1. The Supervisory Board shall meet at least five times a year according to a schedule. The schedule for its meetings in the next year shall be adopted each year at the latest in the last meeting of the preceding year.
- I.9.2. The meetings of the Supervisory Board shall be chaired by the Chairman, or in his absence by the Deputy Chairman.
- I.9.3. The members of the Supervisory Board are expected to attend all meetings of the Supervisory Board, unless important reasons prevent them from attending. In such case, they shall timely inform the Chairman stating the reason.
- I.9.4. The meetings may be held in person or by telephone or videoconference, or a combination.

### **Attendance**

- I.9.5. The members of the Board of Management shall attend the meetings of the Supervisory Board, unless the Supervisory Board resolves otherwise and with the exception of the meetings mentioned in articles I.9.12 and I.9.13.
- I.9.6. The external auditor of the Company shall attend that part of the meeting of the Supervisory Board in which the annual financial statements of the Company are discussed.

### **Minutes**

- I.9.7. The meetings shall be minuted under the responsibility of the Secretary. After approval by the Supervisory Board, the minutes shall be signed by the Chairman (or the Deputy Chairman, as the case may be) and the Secretary of the meeting at which the minutes were approved.
- I.9.8. The secretariat shall be located at the offices of the Company, where the minutes and other documents concerning the Supervisory Board shall be kept.

### **Special meetings**

- I.9.9. Apart from the scheduled meetings, a meeting of the Supervisory Board shall be held within seven days of the date on which the Chairman requests to convene such meeting or is requested so in writing by at least two members of the Supervisory Board, or by the chairman or two members of the Board of Management.

### **Items to be discussed**

- I.9.10. At least once a year the Supervisory Board - basing itself on a written report of the

Executive Committee - will discuss and approve the strategic plan and the budget, including the investment and financing plan related thereto. Reference to these discussions shall be made in the report of the Supervisory Board.

- I.9.11. The Supervisory Board shall discuss at least once a year the main risks related to the objectives and strategy (external risks, strategic decision-making risks, and internal risks) and the result of the assessment by the Executive Committee of the design and effectiveness of the internal risk management and control systems, as well as any significant changes thereto. Reference to these discussions shall be made in the report of the Supervisory Board.
- I.9.12. At least once a year the Supervisory Board shall meet without the Board of Management in order to discuss both its own functioning, the functioning of the Committees and that of the individual members of the Supervisory Board, and the conclusions that are to be drawn on the basis thereof. The desired profile, composition, and competence of the Supervisory Board shall also be discussed. The report of the Supervisory Board shall state how the evaluation of the functioning of the Supervisory Board, the Committees and the individual members of the Supervisory Board has been carried out.
- I.9.13. At least once a year the Supervisory Board shall meet without the Board of Management in order to discuss the functioning of the Board of Management and the Executive Committee and the performance of its individual members, and the conclusions that must be drawn on the basis thereof.
- I.9.14. The Supervisory Board shall examine the Company's annual reporting and shall take note of the report of the Board of Management and the report of the external auditor. The members of Board of Management and the Supervisory Board shall sign the annual financial statements.

## **10. Complaints, Whistleblowers**

- I.10. Internal "whistleblowers" shall have the opportunity, without jeopardizing their legal position within the Company, to report complaints concerning matters of general, operational or financial nature relating to member(s) of the Executive Committee to the Chairman.

## **11. Approval**

- I.11.1. Without prejudice to the other provisions of the Articles of Association, the Executive Committee shall require the approval of the Supervisory Board for:
- (a) the strategic plan;
  - (b) the budget, including the investment and financing plan related thereto;
- and to:
- (c) participate in legal entities, partnerships, and other companies and sell or otherwise dispose of shares or assets thereof;
  - (d) purchase equipment and machinery;
  - (e) acquire, alienate, or encumber real estate;
  - (f) conclude new credit agreements and contract other loans, all for a term of more than one year, excepting withdrawals or payments under an outstanding credit agreement;
  - (g) provide security or guarantees;
- if the value of any such transaction exceeds an amount of EUR 50,000,000.
- I.11.2. The approval for the conclusion of new credit and loan agreements referred to in

article I.11.1(f) of this article shall not be required if the credits and loans are contracted under and within the scope of a financing plan approved by the Supervisory Board.

## **12. Resolutions of the Supervisory Board**

- I.12.1. The meeting of the Supervisory Board may adopt resolutions only if the majority of the Supervisory Board members either attend in person or are represented by duly authorized fellow-members and the proof of such proxy can be produced to the satisfaction of the chairman of any such meeting.
- I.12.2. Resolutions of the Supervisory Board shall be adopted by absolute majority of the votes cast; blank votes and in case of a vote of the kind referred to in article 0.0.I.13, votes cast after the time fixed by the Chairman for that purpose, shall be regarded as not having been cast. In oral voting, abstention shall be considered equivalent to a blank vote.
- I.12.3. The Chairman or (in his absence) the Deputy Chairman, shall cast the deciding vote in the event of a tie.

## **13. Written procedure**

- I.13. The Supervisory Board may adopt resolutions without holding a meeting. Such resolution is validly adopted if a proposal has been submitted to all members of the Supervisory Board in writing or in some other legible and reproducible form, and the majority of such members have, in writing or in some other legible and reproducible form, declared themselves in favor of such proposal, within a period fixed by the Chairman, on the proviso that no member has opposed this method of decision-making within that period.

## **14. General Meeting of Shareholders**

- I.14.1. The Chairman or (in his absence) the Deputy Chairman, shall act as the Chairman of the General Meeting of Shareholders.
- I.14.2. The Supervisory Board and the Board of Management shall jointly draw up the agenda for the General Meeting of Shareholders, with due regard to relevant requests from shareholders as mentioned in article 46.4 of the Articles of Association.

## **15. Rules of Conduct for members of the Supervisory Board**

### **Rules on inside information**

- I.15.1. Members of the Supervisory Board are deemed "Designated Persons" as defined in the AkzoNobel Code on Insider Trading and be subject to the obligations and restrictions of the said code.

### **Conflicts of interest**

- I.15.2. A Supervisory Board member shall not participate in the discussions and/or decision-taking process on a subject or transaction in relation to which he has a conflict of interest with the Company within the meaning of article I.15.3. Such transaction must be concluded on terms at least customary in the sector concerned. Resolutions entering into such transaction must be approved by the Supervisory Board. The Chairman shall procure that transactions in respect of which Supervisory Board members have a conflict of interest will be referred to in the Company's annual report

with reference to the conflict of interests and a declaration that articles I.15.2, I.15.3 and I.15.4 were complied with.

- I.15.3. A member of the Supervisory Board shall in any event have a conflict of interest with significant interest to the Company ("conflict of interests") if:
- (a) he personally has a material financial interest in a company with which the Company intends to enter into a transaction;
  - (b) he has a family law relationship with a member of the managing or supervisory board of a company with which the Company intends to enter into a transaction;
  - (c) he is a member of the managing or supervisory board of, or holds similar office with, a company with which the Company intends to enter into a transaction;
  - (d) under applicable law, including the rules of any exchange on which the Company's shares (or depositary receipts thereof) are listed, such conflict of interests exists or is deemed to exist;
  - (e) the Supervisory Board has ruled that such conflict of interests exists or is deemed to exist.
- I.15.4. Each Supervisory Board member (other than the Chairman) shall immediately report any potential conflict concerning a Supervisory Board member to the Chairman. The Supervisory Board member with such (potential) conflict of interests must provide the Chairman with all information relevant to the conflict of interests, including information relating to the persons with whom he has a relationship under family law.

In all circumstances other than the ones listed in article I.15.3 under (d) and (e), the Chairman will determine whether a reported (potential) conflict of interests qualifies as a conflict of interests to which article I.15.2 applies.

In case the Chairman has a (potential) conflict of interest, he shall immediately report such potential conflict to the Deputy Chairman. The Chairman must provide the Deputy Chairman with all information relevant to the conflict of interests, including information relating to the persons with whom he has a relationship under family law. In all circumstances other than the ones listed in article I.15.3 under (d) and (e), the Supervisory Board will determine whether a reported (potential) conflict of interests qualifies as a conflict of interests to which article I.15.2 applies.

- I.15.5. The external auditor of the Company, as well as each member of the Board of Management, the Executive Committee and Supervisory Board, shall immediately report any potential conflict concerning the external auditor to the Chairman. The external auditor of the Company, as well as each member of the Board of Management, the Executive Committee and Supervisory Board must provide all information relevant to the conflict of interests to the Chairman. The Supervisory Board will determine whether a reported (potential) conflict of interests qualifies as a conflict of interests pursuant to which the appointment of the external auditor will have to be reconsidered or other measures must be taken to resolve it. The Chairman shall procure that those measures will be mentioned in the Company's annual report with reference to the conflict of interests and a declaration that this article I.15.5 was complied with.

### **Secrecy**

- I.15.6. All information on the Company obtained by members of the Supervisory Board in connection with the exercise of their duties shall in principle be treated as personal and strictly confidential and not released or made public to third parties without explicit prior permission. This obligation shall remain in force even after Supervisory Board membership has ended.

## **Chapter II Profile of the Supervisory Board**

- II.1 The composition of the Supervisory Board shall be such that the Supervisory Board members are able to act critically and independently of one another and of the Board of Management and the Executive Committee and any sectional interest. Each Supervisory Board member must be capable of assessing the broad outline of the overall strategy of the Company and its business. As a whole the composition shall be such that it enables the Supervisory Board to best carry out the variety of its responsibilities and duties to the Company and others stakeholders (e.g. shareholders).
- II.2 The Supervisory Board shall be constituted in a balanced manner as to reflect the nature and variety of the Company's businesses, their international spread and the desirability to have available expertise in such fields as finance, economic, societal, and legal aspects of international business, government, and public administration. Furthermore, the Supervisory Board aims to have at least three members of the female gender and/or from outside Europe on the Board at any one time.
- II.3 A member of the Supervisory Board shall not represent the interest of any particular constituency.
- II.4 The main duties and/or the number and nature of other supervisory board memberships held by a member of the Supervisory Board should not be allowed to stand in the way of a proper exercise of the duties as a member of the Supervisory Board of the Company.  
Each member of the Supervisory Board shall be required to submit to the Chairman such information as is necessary to record or update, as the case may be, his:
- a) nationality
  - b) profession
  - c) principal position
  - d) other positions; as far as relevant to the duties as a member of the Supervisory Board
- The Chairman shall procure that such information is published in the report of the Supervisory Board.
- II.5 At least one of the members shall meet the requirements of a financial expert. This financial expert must have in-depth experience and knowledge of financial statements, international accounting principles, and internal controls and procedures for financial reporting.
- II.6 Any person aged 70 or more will be eligible for (re)appointment to the Supervisory Board for periods of two years at a time.
- II.7 The Chairman shall not be a former member of the Board of Management or Executive Committee.
- II.8 The number of supervisory boards of Dutch listed companies of which a member of the Supervisory Board is a member shall be limited to such an extent that the proper performance of the duties of that member on the Supervisory Board is assured; the maximum number is five, for which purpose the chairmanship of a supervisory board

counts double.

## **Chapter III Charter for the Audit Committee**

### **1. Purpose**

- III.1.1. The Audit Committee is a permanent Committee of the Supervisory Board as referred to in article I.8.3. The primary function of the Audit Committee is to assist the Supervisory Board in fulfilling its oversight responsibilities in respect of:
- the quality and integrity of the Company's financial statements;
  - the Company's risk management and internal control systems;
  - the Company's compliance with legal and regulatory requirements;
  - the qualifications, performance and independence of the external auditor;
  - the performance of the internal audit function.
- III.1.2. The Audit Committee shall not have delegated authority except if specific responsibilities or duties set forth in this Charter call for this.

### **2. Composition**

- III.2.1. The Audit Committee shall have at least three members at all times, including the Supervisory Board's financial expert as described under article II.5. The members collectively shall have adequate accounting and financial management expertise to understand the Company's business, financial statements and risk profile.
- III.2.2. Each member of the Audit Committee shall be appointed by the Supervisory Board from the latter's qualifying members and shall serve until whichever is the earlier to occur of the date on which he shall be replaced by the Supervisory Board, resigns from the Audit Committee, or resigns from the Supervisory Board.
- III.2.3. The Supervisory Board shall appoint one of the Audit Committee members as chairperson, who shall not be the Chairman or any of the Company's former members of the Board of Management or Executive Committee. The chairperson shall be primarily responsible for the proper functioning of the Audit Committee. The chairperson shall act as spokesperson of the Audit Committee and shall be the main contact for the Supervisory Board.
- III.2.4. With the exception of no more than one member, all members of the Audit Committee shall be independent within the meaning of article 3.1.3.1.

### **3. Authorities and Responsibilities**

- III.3.1. The Audit Committee shall supervise the operation of the internal risk management and control systems, including application of information and communication technology, as well as the monitoring and enforcement by management of the relevant legislation and regulations and the functioning of the Company's business principles as laid down in the Company's Code of Conduct, as well as of other codes or rules of conduct of the Company.
- III.3.2. The Audit Committee shall review the disclosure of financial information by the Company, including choice of accounting policies, application and assessment of the effects of new legislation in this area, information on the treatment of estimated items in the annual accounts and forecasts.

The Audit Committee shall give its consent to the disclosure of the Quarterly Results on behalf of the Supervisory Board and shall review the earnings press releases of the Company.

- III.3.3. The Audit Committee shall:
- (a) in line with the "Company's policy on auditor independence" maintain frequent contact with the external auditor, assess the external auditor's independence, the quality of the audit service and the appropriateness of the annual audit plan;
  - (b) determine the involvement of the external auditor in respect of the contents and publication of financial reporting by the Company in addition to the auditor's statutory role regarding the annual accounts;
  - (c) take notice of any irregularity in respect of the content of the financial reporting as may be reported by the external auditor;
  - (d) oversee the work of the external auditor including the resolution of disagreements between management and the external auditor regarding financial reporting;
  - (e) pre-approve, the audit, audit-related and non-audit services provided by the external auditor;
  - (f) approve the compensation of the external auditor;
  - (g) supervise the compliance with recommendations and observations of internal and external auditors;
  - (h) supervise the activities of the Executive Committee with respect to the role and functioning of the internal audit department and discuss the internal audit plan and periodic audit report;
  - (i) supervise the Company's tax planning policy;
  - (j) supervise asset and liability management and the financing of the Company;
  - (k) review and discuss evaluation reports on (large) acquisitions;
  - (l) review on a regular basis the overall risk profile and major risks of the Company including environmental and legal risks.
- III.3.4. The Audit Committee shall undertake such additional duties as from time to time may be requested by the Supervisory Board or required by law or regulations.
- III.3.5. The Audit Committee shall have the power to conduct or authorize investigations into any matter within the Audit Committee's scope of responsibilities. In fulfilling its role, the Audit Committee shall have all powers granted to the Supervisory Board in the Articles of Association, including full power to retain legal counsel or other experts at the Company's expense.
- III.3.6. The Audit Committee shall determine a policy for auditor selection and evaluation and recommend the external auditors to be proposed for shareholder approval in accordance with the Articles of Association. Every four years, the Audit Committee shall evaluate and, where appropriate, recommend replacement of the external auditors.
- 4. Meetings**
- III.4.1. The Audit Committee shall meet as frequently as circumstances dictate but no less than four times annually. Meetings can be held in any way as the Audit Committee sees fit, including through video and telephone conferencing facilities.
- III.4.2. The chairperson of the Audit Committee shall prepare and/or approve an agenda in advance of each meeting.
- III.4.3. A majority of the members of the Audit Committee shall constitute a quorum.

- III.4.4. The Audit Committee shall maintain, through its Secretary, minutes or other records of meetings and activities of the Audit Committee. The minutes of the meetings of the Audit Committee will be sent to all Supervisory Board members.
- III.4.5. The Audit Committee shall, through its chairperson (or a member designated by him), report its findings to each subsequent plenary Supervisory Board meeting.
- III.4.6. The Audit Committee shall meet in a separate session with the external auditor at least annually.
- III.4.7. The Audit Committee shall meet in a separate session with the Internal Auditor at least annually. If the Internal Auditor believes an issue should be raised in a separate session, he will be heard by the Audit Committee.

## **5. Final provisions**

- III.5.1. The Audit Committee shall review and assess the adequacy of this charter not less than one time per year. The Audit Committee shall report and make recommendations to the Supervisory Board with respect to the foregoing, as appropriate.
- III.5.2. Unless described otherwise herein, articles 29, 30 and 31 of the Articles of Association shall apply, *mutatis mutandis*, to meetings of and the decision making process within the Audit Committee.

## **Chapter IV Charter for the Remuneration Committee**

### **1. Appointment, Composition and Qualifications**

- IV.1.1. The Remuneration Committee consists of at least three members.
- IV.1.2. Each member of the Remuneration Committee shall be appointed by the Supervisory Board from the latter's qualifying members and shall serve until whichever is the earlier to occur of the date on which he shall be replaced by the Supervisory Board, resigns from the Remuneration Committee, or resigns from the Supervisory Board.
- IV.1.3. The Chairman of the Remuneration Committee is appointed by the Supervisory Board.
- IV.1.4. The members collectively have adequate knowledge of and management expertise in compensation of the top levels of management of large international companies.

### **2. Duties and responsibilities**

#### **Remuneration policy**

- IV.2.1. The Remuneration Committee prepares the remuneration policy, to be approved by the Supervisory Board and General Meeting of Shareholders.
- IV.2.2. The objective of the Company's remuneration policy is to provide remuneration in a form that will motivate and retain the members of the Board of Management as top executives of a major international company.

- IV.2.3. In the determination and differentiation of the remuneration level of the Chairman and the other members, due allowance is made for the individual specific responsibilities.
- IV.2.4. To ensure that remuneration is linked to performance, members of the Board of Management are granted a variable remuneration component related to specific targets.
- IV.2.5. The Remuneration Committee sets standards and defines criteria for performance with emphasis on achievement, accountability and ethical behavior of the members of the Board of Management. These standards and criteria are prepared by the Remuneration Committee and approved by the Supervisory Board.
- IV.2.6. The remuneration policy will be reviewed periodically by the Remuneration Committee and, whenever necessary, proposals for adjustment will be prepared.

#### **Remuneration**

- IV.2.7. The Remuneration Committee yearly prepares the proposed remuneration per individual member of the Board of Management for approval by the Supervisory Board. This proposal contains the remuneration structure, the fixed remuneration, performance related payment (including performance criteria), pension rights and, if applicable, shares- and option rights and special grants and allowances. The results, the share price performance and the non financial indicators relevant to the long term objectives of the Company are all taken into account when determining the remuneration proposal. Furthermore, the outcome of the scenario analysis carried out as well as the pay differentials within the Company will be taken into account.

The Remuneration Committee will also consider the remuneration of the members of the Executive Committee who are not also a member of the Board of Management and will make sure that the remuneration of these executives is aligned with the remuneration policy of the Board of Management. The Supervisory Board will approve the remuneration of these members of the Executive Committee on the proposal of the CEO.

- IV.2.8. Periodically the Remuneration Committee reviews the remuneration package of the members of the Supervisory Board; if necessary proposals for adjustments will be prepared.

#### **Options and share plans**

- IV.2.9. The Remuneration Committee prepares stock option and/or share plans including criteria with respect to granting or vesting of (conditional) stock options and/or shares as part of the compensation to the members of the Board of Management and/or other executives. The plans for the Board of Management have to be approved by the Supervisory Board and the General Meeting of Shareholders.
- IV.2.10. Yearly the Remuneration Committee reviews the realization of the criteria, set when the shares or options were granted.

#### **Publication of compensations**

- IV.2.11. In view of the publication of compensations of members of the Supervisory Board and the Board of Management and the Executive Committee, the Remuneration Committee annually prepares a remuneration report.

#### **Performance**

- IV.2.12. The Remuneration Committee conducts the periodic review of the performance of the members of the Supervisory Board and Board of Management and the Executive Committee.

#### **Other**

IV.2.13. The Remuneration Committee addresses any other issues delegated to it by the Supervisory Board.

IV.2.14. Periodically the Remuneration Committee informs the Supervisory Board with regard to its duties as mentioned in these terms of reference.

### **3. Meetings and modus operandi**

IV.3.1. The Remuneration Committee meets at least two times per year.

IV.3.2. Meetings shall also be held whenever the Chairman or one of the other members of the Remuneration Committee considers this appropriate.

IV.3.3. The chairman of the Board of Management and the Secretary attend the meetings of the Remuneration Committee.

IV.3.4. The Secretary will act as Committee Secretary, and be responsible, in consultation with the Chairman, for the preparation of the meetings of the Remuneration Committee and the minutes.

IV.3.5. The Remuneration Committee may ask the advice of internal and external experts on matters within the competence of the Remuneration Committee. If the Remuneration Committee makes use of the services of a remuneration consultant, it shall verify that the consultant concerned does not provide advice to a member of the Board of Management or Executive Committee.

## **Chapter V Charter for the Nomination Committee**

### **1. Appointment, Composition and Qualifications**

V.1.1. The Nomination Committee consists of at least three members.

V.1.2. Each member of the Nomination Committee shall be appointed by the Supervisory Board from the latter's qualifying members and shall serve until whichever is the earlier to occur of the date on which he shall be replaced by the Supervisory Board, resigns from the Nomination Committee, or resigns from the Supervisory Board.

V.1.3. The Chairman of the Nomination Committee is appointed by the Supervisory Board.

V.1.4. The members collectively have adequate knowledge of and management expertise in selection of the top levels of management of large international companies.

### **2. Duties and responsibilities**

#### **Selection and nomination**

V.2.1. The Nomination Committee determines the selection criteria of members of the Supervisory Board and Board of Management by preparing and periodically reviewing the Supervisory Board and Board of Management succession plans and issuing recommendations regarding the desired profile, size and composition of the Supervisory Board and Board of Management. Moreover, based on agreed profiles, the Nomination Committee also identifies, selects and nominates candidates for

(re)appointment.

The Nomination Committee will consider the nominations for those members of the Executive Committee who are not also a member of the Board of Management. Such executives will be appointed and dismissed by the CEO subject to the approval of the Supervisory Board.

**Other**

- V.2.2. The Nomination Committee addresses any other issues delegated to it by the Supervisory Board.
- V.2.3. Periodically the Nomination Committee informs the Supervisory Board with regard to its duties as mentioned in these terms of reference.

**3. Meetings and modus operandi**

- V.3.1. The Nomination Committee meets at least two times per year.
- V.3.2. Meetings shall also be held whenever the Chairman or one of the other members of the Nomination Committee considers this appropriate.
- V.3.3. The chairman of the Board of Management attends the meetings of the Nomination Committee.
- V.3.4. The chairman of the Board of Management will act as Committee Secretary, and be responsible, in consultation with the Chairman, for the preparation of the meetings of the Nomination Committee and the minutes.
- V.3.5. The Nomination Committee may ask the advice of internal and external experts on matters within the competence of the Nomination Committee.

**Chapter VI Final provisions**

**1. Confidentiality**

- VI.1. The discussions of the Supervisory Board are confidential. In so far as communications relating to the discussions of the Supervisory Board have to be made to third parties, this shall be done by, or in consultation with, the Chairman.

**2. Legal framework**

- VI.2.1. These Rules of Procedure have been established by the Supervisory Board, in addition to the Articles of Association. In case of conflict with the Articles of Association, the latter shall prevail. The Rules of Procedure are governed by the laws of the Netherlands. The courts of the Netherlands shall have exclusive jurisdiction to settle any dispute arising from or in connection with these Rules of Procedure.
- VI.2.2. These Rules of Procedure will be effective as from January 1, 2011.
- VI.2.3. These Rules of Procedure can be supplemented and modified by the Supervisory Board at any time.

**3. Communication**

VI.3.1. These Rules of Procedure will be available at the Company's internal and external websites.