

# Sustainable corporate governance

## 1. Sustainable corporate governance statement

### 1.1. Reference code

Pursuant to the Royal Decree of 12 May 2019, designating the corporate governance code to be complied with by listed companies, all Belgian listed companies must follow the Belgian Code on Corporate Governance 2020 (1) as a reference code within the meaning of Article 3:6, § 2,4 of the Code on Companies and Associations. The Company follows this Belgian Code on Corporate Governance 2020 as its mandatory frame of reference for sound/sustainable management governance in Colruyt Group.

On 28 February 2019, the new Code on Companies and Associations was approved with effect on all new Belgian companies from 1 May 2019. Since 1 January 2020, the existing Belgian companies of Colruyt Group have been subject to its mandatory provisions and, except where otherwise provided in their articles of association, also the supplementary provisions of the revised company law. In October 2020, the Extraordinary

General Meeting of Etn. Fr. Colruyt NV approved the aligning of the Company's articles of association with the new Code. The articles of association of all other group companies will be adjusted to the new Code on Companies and Associations in the course of 2021 and 2022.

The transposition into Belgian law of Directive 2017/828/EU of the European Parliament and of the Council of 17 May 2017 amending Directive 2007/36/EC on the promotion of long-term involvement of shareholders and containing various provisions regarding companies and associations was adopted on 28 April 2020 and published in the Belgian Official Gazette on 6 May 2020. The new provisions regarding the remuneration report and remuneration policy will apply to the Company as from the completed 2020/21 financial year. The remuneration policy will therefore be submitted for approval to the General Meeting of 29 September 2021, that will be asked to approve the financial statements for the 2020/21 financial year.

The corporate governance statement contains the information in line with the Code on Companies and Associations and the provisions of the 2020 Code. For positions during the 2020/21 financial year that are not in line with the 2020 Code, the reasons for deviating from the 2020 Code have been stated by the Board. We give below the following disclosures and deviations from the principles and provisions of the Belgian Code on Corporate Governance 2020 as applicable to listed companies. Most of the deviations are due to the fact that the Colruyt family is the main reference shareholder of Colruyt Group. The Colruyt family wants to concentrate fully on guiding all companies of the group and wants to propagate in them the values of sustainability and sustainable entrepreneurship. In addition, the reference shareholder places stability and long-term vision above short-term profit.

- **Principle 1** - For the management of the Company, the Board has chosen to continue the existing one-tier board model, consisting

(1) <https://www.corporategovernancecommittee.be/en/about-2020-code>

of a Board of Directors that can perform all actions with the exception of those reserved for the General Meeting. The Board of Directors has delegated part of its decision-making powers to a managing director for operational implementation. Every five years, the Board will conduct a thorough reflection on the governance structure.

- **Principle 2** - The powers of the members of the Management Committee, other than the CEO, are determined by the CEO and not by the Board of Directors. This deviation from provision 2.19 of the 2020 Code is explained by the fact that the members of the Management Committee exercise their duties under the leadership of the CEO, to whom day-to-day management and additional specific powers have been delegated by the Board of Directors.

- **Principle 3** - In line with the long-standing tradition of Colruyt Group, Jef Colruyt is simultaneously Managing Director, Chairman of the Board of Directors and Chairman of the Colruyt Group Management Committee and the Future Board. This departure from provision 3:1 of the 2020 Code is justified in the light of the history of Colruyt Group and the desire of the reference shareholders to entrust the leadership

of the Management Committee to one of their own. Where appropriate, strict application of the conflict of interest rules protects all shareholders from any abuse. In addition, within the Board of Directors the Chairman applies the rule of a unanimous vote for every decision or investment with material consequences for the future of the group.

- **Principle 3** - At the end of financial year 2019/20, the Board of Directors is composed of one executive director and seven non-executive directors, three of whom are independent directors. The three independent directors meet the independence criteria as set out in the 2020 Code and the Code on Companies and Associations. The Board of Directors believes that any increase in the number of members should be accompanied by an enrichment in experience and skills, without jeopardising its efficient operation.

Since the Board functions and takes its decisions as a collegial body, only the general attendance rate of the Board and its committees is given, with no information about the attendance rate of each director individually.

The Board does not consider it opportune for the non-executive directors to meet annually without the CEO, because Jef Colruyt, in his capacity as executive director, is both Chairman of the Board of Directors and Chairman of the Colruyt Group Management Committee, and therefore has contacts with directors and senior management as well as access to the documentation and records of all bodies.

- **Principle 4** - The Board of Directors has appointed an Audit Committee composed of one independent director and two non-executive directors. Based on the current composition of the board, as well as the various skills present, this composition is optimal for the efficient operation of this committee.

- **Principle 4/5** - Notwithstanding provision 4.19 of the 2020 Code, the Board of Directors has not established an Appointments Committee. Appointments therefore remain the responsibility of the entire Board of Directors. Prospective directors are proposed to the General Meeting by the entire Board of Directors. Managers are appointed at the proposal of the Chairman of the Management Committee, with the approval of the entire Board of Directors. The limited number of directors means that this procedure works perfectly well.

- **Principle 7** - The Board of Directors has opted not to grant share-related payments to directors or executive management. Non-executive directors do not receive remuneration in the form of shares of the company and members of the executive management are not required to hold a minimum threshold of shares in the company. The group wishes in this way to avoid any form of speculative behaviour.

This deviation from provisions 7.6 and 7.9 of the 2020 Code is justified, since the Board of Directors has a dual role in our one-tier board model, which is to support entrepreneurship on the one hand and to ensure effective supervision and control on the other. To avoid the granting of shares to them increasing the likelihood of a conflict of interest, non-executive directors do not receive performance-related remuneration or share-based compensation. The Board of Directors is of the opinion that the directors and executive management are sufficiently focused on sustainable long-term value creation.

With regard to provision 7.12 of the 2020 Code, the Board of Directors has decided for the time being not to avail of the option to reclaim variable compensation paid or to withhold payment of the same, as considerable uncertainty remains as to

the legal validity and enforceability under Belgian law of a right of recovery of variable remuneration in favour of the company.

The Board of Directors will reassess the outlines of the remuneration policy, including the share-based compensation, on an annual basis.

- **Principle 9** - With a view to the efficient and effective functioning of its governing bodies, the Board evaluates its own performance as well as that of the committees on a continuous basis. To ensure their commitment and constructive involvement in decision-making, the performance of the directors is also evaluated on an ongoing basis.
- Pursuant to the new Code on Companies and Associations, the articles of association may provide for double voting rights for registered shares that have been held by the shareholder for a minimum of 2 years. In view of their administrative complexity, the Board of Directors has decided not to propose double voting rights at this stage.

## 1.2. Charter

### 1.2.1. General Shareholders' Meeting

The annual General Meeting of Shareholders takes place on the last Wednesday of the month of September at 16h00 at the registered office. If this day is a public holiday, the meeting will be held on the next working day.

The Board of Directors and the auditor may convene the General Meeting and set the agenda.

The General Meeting must also be convened within three weeks of the request, written or otherwise, of shareholders who together represent at least one tenth of the capital.

All General Meetings are convened in accordance with the law.

One or more shareholders who together hold at least 3% of the capital, and who satisfy the statutory formalities to participate in the meeting, may have items placed on the agenda of the meeting and submit motions. The formalities for having agenda items and proposals registered must take place in accordance with the statutory requirement and must be made known to the

company no later than the 22nd day before the meeting.

Each share entitles its owner to one vote. In order to be admitted to the meeting, before the opening of the meeting, each owner of shares must provide proof of his capacity as shareholder by having his shares registered in the books, at the latest on the registration date, and he must also inform the company in writing of his intention to participate in the meeting, at the latest on the sixth day before the date of the meeting.

The shares are either registered or dematerialised. The registered shares are entered in the company's register of shareholders. In accordance with Article 7:35 of the Code on Companies and Associations, dematerialised shares must be registered in an account of a recognised account holder or settlement institution.

Shareholders vote in person or by proxy. The proxy must be appointed in accordance with article 28 of the articles of association. Each proxy must have satisfied the conditions for being admitted to the meeting. Except in the cases provided for by law, a shareholder may only

appoint one person per meeting as proxy.

Shareholders who satisfy the legal and statutory formalities for admission to the meeting, as stipulated in article 27 of the articles of association, may put their questions in writing at the company's registered office or electronically, as soon as the notice of the meeting is published and no later than the sixth day before the start of the meeting. This right to put questions is regulated by article 32 of the articles of association.

The Board of Directors may decide to organise the General Meeting in a digital format. If necessary, the Board will explicitly state this in the notice convening the meeting. The Company will then make available to the shareholders an electronic means of communication through which the remote shareholders can participate directly, simultaneously and without interruption in the discussions and deliberations of the General Meeting, and through which they can also exercise rights to vote and to put questions. The Board of Directors may impose additional conditions on the electronic means of communication used, with the sole objective of guaranteeing the security of the means of communication.

The General Meeting may not deliberate on items that are not on the agenda.

### 1.2.2. Board of Directors

#### COMPOSITION

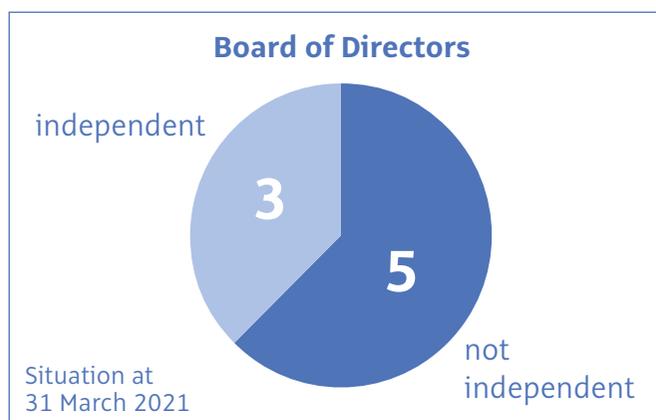
The composition of the Board of Directors is the result of the structure of the share ownership of the company, in which family shareholders are reference shareholders. As evidenced by the past, the family shareholders ensure the stability and continuity of the company, and thus protect the interests of all shareholders. They choose to propose a limited number of representatives with diverse backgrounds, extensive experience and sound knowledge of the company as directors. The directors form a small team with the necessary flexibility and efficiency to be able to adapt constantly to market events and opportunities.

There are no rules in the articles of association regarding the appointment of the directors and the renewal of their appointments. However, the Board of Directors has decided to nominate candidates for terms of no more than four years, which may or may not be renewed.

The General Meeting has the exclusive right to appoint the directors. Directors can be dismissed ad nutum, but the General Meeting can, on dismissing them, grant a severance payment or notice period.

Since March 2019, three independent directors have been active on the Board. The Board of Directors believes that an increase in the number of members should be accompanied by an enrichment in skills and experience supporting the development of Colruyt Group. At the end of financial year 2020/21, the Board of Directors is composed of one executive director and seven non-executive directors, three of whom are independent directors.

In line with the long-standing tradition of Colruyt Group, Jef Colruyt is both Chairman of the Board of Directors and Chairman of the Colruyt Group Management Committee and the Future Board. This departure from the recommendations of the Belgian Corporate Governance Code 2020 is justified in the light of the history of Colruyt Group and the desire of the reference shareholders to entrust the leadership of the Management Committee to one of their own.



#### FUNCTIONING OF THE BOARD OF DIRECTORS

The Board of Directors meets every quarter according to a predetermined schedule. Meetings are always held in September, December, March and June. When necessary, interim meetings are held to discuss specific subjects or to make decisions within specific time frames.

The Board of Directors may only take valid decisions if at least half of the members of the board are present or represented. All decisions of the Board of Directors are taken by an absolute majority of votes. In the event of a tie, the vote of the Chairman is decisive.

During the quarterly meetings of the Board of Directors, opinions are exchanged and decisions are taken on general strategic, cultural,

economic, commercial, financial and accounting matters concerning the companies that belong to the group. This is done on the basis of a dossier, which, in addition to the consolidated information on Colruyt Group, also contains extensive information on each of the activities of the group and its various companies, as well as on the application of the sustainability policy. Fixed items on the agenda include the discussion and approval of the annual and half-yearly results and their publication, the financial outlook, investment prospects, investment dossiers and the discussion of the activity reports per sector of Colruyt Group. All directors are invited, on a regular basis, to report on their activities or management and, if necessary, to report on the progress of the sustainability projects. The board discusses the findings as discussed in the Audit and Remuneration Committees and decides on their recommendations. The directors receive their dossiers at least five days prior to the meeting.

#### COMMITTEES WITHIN THE BOARD OF DIRECTORS

The Board of Directors has had an **Audit Committee** since September 2006. This committee liaises with the group's Management Committee and the auditor. Since the 2019/20 financial year, the Audit Committee has included,

as independent director within the meaning of Article 7:87 of the Belgian Code on Companies and Associations, Fast Forward Services BV (with Ms Rika Coppens as its permanent representative). Ms Coppens has many years' experience in general and financial management and holds independent directorships in other companies.

All members of the Audit Committee possess the necessary experience and financial knowledge to be able to properly fulfil their role. In general, the role of the Audit Committee is to supervise the correctness of the quantitative (accounting and financial) information of Colruyt Group for the Board of Directors, the shareholders and third parties from the financial world and to report its findings in this respect to the Board of Directors. The operation of the Audit Committee is also discussed in point 2 of this Corporate Governance chapter. The members of the Audit Committee receive no special remuneration as members of this committee.

The Board of Directors has also had a **Remuneration Committee** since September 2011. The Remuneration Committee fulfils the roles described in article 7:100 § 5 of the Code on Companies and Associations regarding

remuneration policy (in the broadest sense) for directors and members of the Management Committee. The Remuneration Committee also prepares the remuneration report for the Board of Directors each year. After approval by the entire board, this remuneration report is added to the corporate governance statement. The explanation of the remuneration report for the General Meeting of Shareholders, as well as its communication to the Works Council, also come under the responsibility of the Remuneration Committee.

The members of the Remuneration Committee receive no special remuneration as members of this committee.

Both the Audit Committee and the Remuneration Committee have fulfilled their tasks on the basis of the internal regulations, which can be consulted on our website [colruytgroup.com/investors/ shareholders](http://colruytgroup.com/investors/shareholders). At the quarterly meetings of the Board of Directors, both committees report on their findings and present their recommendations to the Board of Directors for approval. On the basis of an informal evaluation, each year both committees review their internal operations and report on this to the Board of Directors.

In view of the small number of members of the Board of Directors, there is currently no Appointments Committee.

## REMUNERATION

There is no protocol regarding the performance of the role of director. It is not customary to grant loans or advances to directors. Directors do not receive bonuses or share-related incentive programmes, or benefits in kind or benefits attached to a pension plan. In his capacity as CEO the managing director receives the same remuneration elements and benefits as the remaining executive management of Colruyt Group. The remuneration of the directors and CEO (individually) and members of the Management Committee (collectively) are published in the remuneration report under point 2.4.

### 1.2.3. Day-to-day management

Under the chairmanship of Jef Colruyt, the Colruyt Group Management Committee consists of the General Managers of the group's various commercial and production activities and the managers of the corporate services (Finance, People & Organisation, Business Processes & Systems, Technics, Real Estate & Energy, Customer Communication & Experiences and Corporate Marketing).

The Colruyt Group Management Committee determines general strategy and policy options at group level and coordinates the group's various activities and corporate services.

The General Future Board consists of all managers of Colruyt Group. As a consultation and contact platform, it focuses primarily on the group's long-term development and consults on Colruyt Group's common vision and objectives.

Management Committee and Future Board meetings are scheduled at fixed intervals, every four and eight weeks respectively, and are chaired by Jef Colruyt, Chairman of the Management Committee.

Every month, plateau meetings are held where the general policy lines for retail activities and corporate services are developed.

Since 2018/19, a Future Board meets periodically for each sub-activity, and umbrella domain boards have been established to help define the strategy to be followed around specific themes such as 'sustainable entrepreneurship', 'innovation', 'pricing policy', 'logistics', 'marketing', 'purchasing', 'information management', 'human resources policy', and so on.

There are also fortnightly/monthly management meetings, chaired by the general managers, with the managers of the various activities and corporate services. The practical implementation of the chosen policy options takes place here.

The day-to-day management of the company is in the hands of managing director Jef Colruyt, who in turn mandates a number of powers internally to COO Retail Marc Hofman and to the general managers of the commercial activities and the managers of the corporate services (Finance, People & Organisation, Business Processes & Systems, Technics, Real Estate & Energy, Customer Communication & Experiences and Corporate Marketing).

Each manager listed as a member of the Future Board, is required, separately within his/her department, to ensure compliance with all statutory, regulatory, organisational and contractual provisions and bears responsibility in the event of a breach.

With the exception of Jef Colruyt, the members of the Colruyt Group Management Committee are bound to their employer by contracts of employment.

#### 1.2.4. Diversity policy

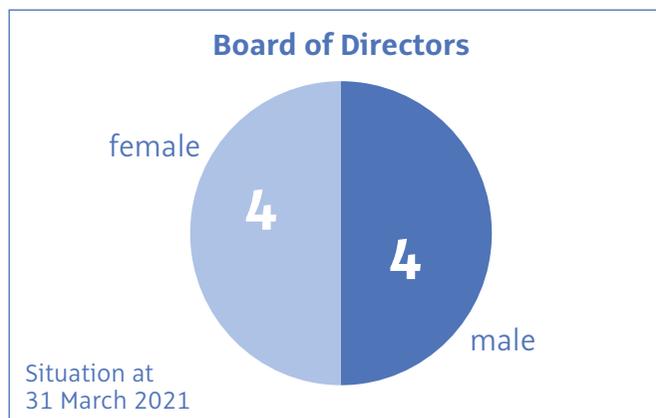
Colruyt Group carefully applies Article 3:6 (§2.6° and §4) of the Code on Companies and Associations regarding information on the diversity policy pursued. In general terms, an equality principle is applied within Colruyt Group, whereby each employee is selected and coached in their career based on factors such as competencies, talents and skills. As a result, our diversity policy forms part of our DNA and emanates from our core value 'respect'. The group is convinced that diversity of employees (including in terms of age, gender, cultural and professional background) is an absolute asset for a fresh, agile and growing company. A company which also operates in a society characterised by diversity. We endeavour to display this throughout the organisation, including in the management teams. Aiming for teams that are as diverse as possible at all levels of management raises the quality of leadership and therefore inherently contributes to the realisation of the group's strategy.

The Board of Directors of the Company consists of representatives with sufficient diversity of backgrounds, competences and experience, who support the development of Colruyt Group. In

this way, the board members representing the family shareholders can present a thorough knowledge of the company. Director Jef Colruyt has held several roles in the company since 1984, becoming Chairman of the Board of Directors at the end of 1994 and since then managing the entire operation as CEO. Director Wim Colruyt has an IT-technical background and is well versed in business architecture. Finally, director Hilde Cerstelotte is an expert in the field of work simplification. Directors Frans Colruyt and Dries Colpaert have played active roles within the group in the past. As COO Retail, Frans Colruyt has managed all retail activities in the group, while Dries Colpaert has headed up the retail and foodservice activities in France. The independent directors can also present solid credentials. Astrid De Lathauwer has many years' expertise in HR policy, Chantal De Vrieze, as a CEO, is at home in general management and also in the IT world. Rika Coppens also has CEO experience both in retail and in HR services, and also brings comprehensive financial expertise.

The Council also scores well on gender diversity. Today the Board of Directors has four female directors: (i) Hilde Cerstelotte, permanent representative of Korys Business Services I NV, (ii) independent director Chantal De Vrieze,

permanent representative of 7 Capital SPRL, (iii) Astrid De Lathauwer, permanent representative of ADL CommV and (iv), since March 2019, independent director Rika Coppens, permanent representative of Fast Forward Services BV. In this way the board complies with article 7:86 of the Code on Companies and Associations which stipulates that, from 2017, at least one third of the members of the Boards of Directors of listed companies must be of a different gender than that of the other members. Since October 2015, the Management Committee has one female member.



More detailed information about diversity in Colruyt Group and the non-financial information which must be reported can be found under 'Who are we?' and 'Corporate Sustainability'.

### 1.2.5. Appropriation of profit - dividend policy

At the proposal of the Board of Directors, the General Meeting may decide to allocate the distributable profit entirely or partially to a free reserve or to carry it forward to the following financial year.

The Board of Directors endeavours to increase the annual dividend per share at least in proportion to the increase in group profit. Although this is not a fixed rule, at least one third of the economic group profit is paid out annually.

According to the articles of association, at least 5% of the net profit for appropriation must be allocated to the statutory reserve fund. This deduction is no longer mandatory within the limits determined by law. At least 90% of the balance (excluding the employee profit sharing) is reserved for the shareholders and a maximum of 10% for the directors.

### 1.2.6. Shareholders / Shares

#### TRANSPARENCY NOTIFICATION

Every shareholder who holds at least 5% of the voting rights must comply with the Act of 2 May 2007 on the disclosure of significant holdings, the

Royal Decree of 14 February 2008 and the Code on Companies and Associations.

The statutory thresholds per 5% bracket apply. To this end, those concerned must send a notification to the Financial Services and Markets Authority (FSMA) and to the Company.

The most recent transparency notification received is always published in the Company's annual report and on the website at [colruytgroup.com/investors/shareholders](http://colruytgroup.com/investors/shareholders).

The most recent transparency notification shows that a reference shareholder group exists within the share ownership structure. The Colruyt family and relatives, Colruyt Group and Sofina NV are shareholders acting in concert. These shareholders have also reported that they hold more than 30% of the issued securities with voting rights, on the basis of the Act of 1 April 2007 on public takeover bids. Under the existing agreements, the mutual consultation agreement between the Colruyt family and relatives and Colruyt Group on the one hand and Sofina NV on the other end will expire not later than the end of September 2021. This does not affect the mutual consultation agreement between the Colruyt family and relatives.

#### INSIDE INFORMATION - MEASURES TO PREVENT MARKET ABUSE AND THE USE OF INSIDE INFORMATION

Etn. Fr. Colruyt NV has drawn up trading regulations containing measures to prevent market abuse and the use of inside information. These regulations were adapted further to the Market Abuse Regulation (MAR), which came into force on 3 July 2016.

With regard to transactions for their own account in shares of the Company or in derivatives or other related financial instruments by directors and other persons with executive responsibilities, the Board of Directors of Etn. Fr. Colruyt NV has drawn up a series of rules regarding the execution of such transactions and their disclosure (referred to below as the 'trading regulations').

The trading regulations apply to the members of the Board of Directors, the members of the Management Committee and all key employees of Etn. Fr. Colruyt NV and its subsidiaries, who, due to their position or employment at Colruyt Group, have regular or occasional access to prior information as a result of their participation in operations involving price-sensitive information (referred to below as 'insiders'). It is absolutely forbidden for insiders of Etn. Fr. Colruyt NV and its subsidiaries to engage in insider trading or to

share this inside information with others.

Etn. Fr. Colruyt NV has appointed an internal supervisor who is responsible for monitoring compliance with these trading regulations. Unless otherwise announced, the supervisor is the Secretary of the Board of Directors. His tasks include drawing up and maintaining a list of insiders, co-determining closed and restricted periods, checking transactions, granting clearing, etc. Etn. Fr. Colruyt NV has specified a number of periods during which transactions in financial instruments are prohibited. The periods in which no trading of shares may take place are determined by the CFO. In addition, the supervisor may insert additional restricted periods during all other periods which are regarded as sensitive, when people have knowledge of sensitive information which has not yet been published. Insiders are alerted regularly (in writing) to the existence of closed and restricted periods and the statutory and administrative obligations connected to them relating to the abuse or unlawful distribution of this confidential information.

Outside of restricted periods, directors, all persons with executive responsibilities and the key employees involved must inform the

supervisor before entering into a transaction in financial instruments of the company. For members of the Board of Directors and the Management Committee, the trading regulations contain an additional requirement to inform the supervisor at all times before they intend to acquire or dispose of financial instruments, directly or indirectly. Once the transaction has been concluded, the directors and members of the Management Committee must also inform the supervisor of this in writing.

All persons with executive responsibility within Etn. Fr. Colruyt NV and its subsidiaries and, if applicable, those closely associated with these persons, must inform the Financial Services and Markets Authority (FSMA) of transactions executed in their name (or on their behalf) in shares, derivatives or other related financial instruments of the company. They can also request the supervisor of the Company to fulfil the notification obligation to the FSMA in their place.

Finally, in accordance with the Act of 2 August 2002, the Royal Decree of 5 March 2006 and the MAR of 3 July 2016, Etn. Fr. Colruyt NV maintains lists of employees or persons who work for it or its subsidiaries under a contract of employment

or the like, and who have regular or sporadic access to prior information in one way or another, due to their participation in an operation involving price-sensitive information. Each person whose name is on the list(s) is informed of this and is requested to read and sign the trading regulations. In so doing, they acknowledge that they are aware of their status as an insider and conscious of the related statutory and administrative obligations associated with this inside information..

#### **1.2.7. Information for shareholders**

All useful information for shareholders is published on our website at [colruytgroup.com/investors/shareholders](http://colruytgroup.com/investors/shareholders). Any interested persons may register with the Company to be informed automatically by e-mail alerts whenever the website is updated or when new financial information is published on the website.

## 2. Events during the financial year

### 2.1. Audit Committee

Since the end of September 2020, Rika Coppens, permanent representative of Fast Forward Services BV, has taken over the chairmanship from François Gillet who had been chairman since the committee was set up in 2006 (and whose directorship ended after the General Meeting of September 2020). Non-executive directors Wim Colruyt, permanent representative of Korys Business Services III NV, and Dries Colpaert, permanent representative of Korys NV, are the other permanent members of the committee.

The internal rules of the Audit Committee are published at [colruytgroup.com/investors/shareholders](https://colruytgroup.com/investors/shareholders).

Chaired by François Gillet, the Audit committee met on 5 June 2020 and 18 September 2020. On 4 December 2020 and 19 March 2021, the committee was chaired by Rika Coppens, permanent representative of Fast Forward Services BV. Due to the COVID-19 epidemic, all meetings could also be followed via video conference. All members of the committee were present at every meeting with the exception of 1 absentee during the 18 September 2020 meeting.

On each occasion, the figures in the working document for the meeting of the Board of Directors were examined in detail and explained by the finance department. The auditor is invited to attend all meetings and also presents his audit approach and his findings from the audit of the half-yearly and annual results. The Risk Management Cell (internal audit) of Colruyt Group also drafted a quarterly report for the Audit Committee on each occasion. The experts of the consolidation cell are also regularly invited to explain the application of the IFRS standards. The recommendations and findings of the Audit Committee are a fixed item on the agenda of meetings of the Board of Directors.

### 2.2. Remuneration Committee

The Remuneration Committee was formed in September 2011. Independent director Astrid De Lathauwer, permanent representative of ADL CV, has fulfilled the role of Chairman since its formation. Non-executive director Hilde Cerstelotte, permanent representative of Korys Business Services I NV, and independent director Chantal De Vrieze, permanent representative of 7 Capital SRL, are also permanent members of the Remuneration Committee.

The Remuneration Committee has published its internal rules on our website at [colruytgroup.com/investors/shareholders](https://colruytgroup.com/investors/shareholders). Chaired by Astrid De Lathauwer, the Remuneration Committee held its regular meetings on 5 June 2020, 23 September 2020, 4 December 2020 and 19 March 2021. The attendance rate at each meeting was 100%. Due to the COVID-19 epidemic, all meetings could also be followed via video conference.

The main objective of the meetings was to define, formalise and evaluate the general group remuneration policy at the proposal of the Chairman of the Management Committee of Colruyt Group. The fixed and variable remuneration components for the CEO (Jef Colruyt) and the entire Management Committee were also discussed by the Committee.

The Committee also formulated proposals concerning the remuneration of the members of the Board of Directors. The results of all these activities as well as the general principles of the remuneration policy, which must be approved every two years by the General Meeting, are set out in a Remuneration Report that is published in full under point 2.4. The final version of this report was finalised during the Remuneration Committee meeting of 4 June 2021.

The Compensation & Benefits Cell of the People & Organisation Department assisted the Committee at each meeting.

## 2.3. Meetings of the Board of Directors

The Board of Directors held its four ordinary quarterly meetings during this financial year, on 11 and 12 June 2020, 24 and 25 September 2020, 10 and 11 December 2020 and 25 and 26 March 2021. The main discussion points at the meetings were the evolution of the performance of the group's various store formats and trading activities. Owing to the COVID-19 pandemic, all board meetings were held at headquarters and simultaneously via video conference. This also applied to the board meeting in March, which normally takes place every year at Rochefort-sur-Nenon (Dole, France). The meetings in June and December were preceded by half a day of information on the half-yearly and annual results presented by the finance department. During the December 2020 board meeting, in the context of the Sanchore project (cf. point 2.3.1), the conflict of interest procedure (article 7:96 Code on Companies and Associations) was applied. The average attendance rate of directors at the

mentioned ordinary quarterly meetings can be summarised as follows: 97% in June 2020 and 100% in September 2020, December 2020 and March 2021.

Furthermore, the board held an additional meeting on 5 June 2020 to discuss the project Subscription to the issue of convertible bonds issued by Virya Energy (Aura 2 - cf. point 2.3.1.). During this meeting, the intra-group conflict of interest procedure of Article 7:97 of the Code on Companies and Associations was applied. All directors were present during this meeting. Finally, the board also held an additional board meeting on 24 August 2020 to decide on the termination of the Collishop activity. Only 1 director was excused at this hearing.

Other than the remuneration and variable pay of Jef Colruyt and the Aura 2 and Sanchore projects (cf. point 2.3.1. below), no other situations of possible conflicts of interest were reported by the directors. The fixed and variable remuneration of Jef Colruyt as a member of the Management Committee was discussed and finalised by the Remuneration Committee and approved by the Board of Directors, each time in the absence of the person concerned, who did not participate in the deliberations or the decision. The result of

these decisions is described in the Remuneration Report.

Finally, in the light of the mission and values of the group, at all meetings, the board evaluated the internal cooperation but also the interactions with the Audit and Remuneration Committees on a permanent basis.

### 2.3.1. Transactions with application of the conflict of interest rules

2.3.1.1. Project Subscription to the issue of convertible bonds issued by Virya Energy (Aura 2) – Extract from the minutes of the Board of Directors meeting of 5 June 2020, with the decision of the committee of three independent directors – application of Art 7:97 of the Code on Companies and Associations

*Virya Energy NV, a subsidiary of the Company, ("Virya") is considering the issuing of convertible bonds with a maturity of 24 months and at an interest rate of 2,86% per annum (respectively the "Initial Issue" and the "Initial Bonds"), to which its shareholders, the Company and Korys Investments NV ("Korys Investments"), intend to subscribe. The Company intends to subscribe to the Initial Bonds in an amount of*

EUR 63.910.129,52. Korys Investments intends to subscribe to the Initial Bonds in an additional amount of EUR 41.089.299,00, with the same maturity and interest rate. In addition, depending on its financial needs, Virya would have the option to issue additional convertible bonds in an aggregate amount of EUR 55.000.000 with the same terms as the Initial Bonds (the "Additional Bonds" and together with the Initial Bonds, the "Bonds"). The Company and Korys Investments intend to undertake, in a commitment letter to Virya, to subscribe to the Additional Bonds pro rata to their shareholding in Virya (the "Additional Issue" and together with the Initial Issue, the "Issue"). The Company and Korys Investments intend to fulfil their commitments in connection with the Additional Offering subject to conditions and for a period of one year from the Initial Issue.

The directors declare, each individually, that they do not have a conflict of interest of a financial nature within the meaning of Article 7:96 CCA with regard to the intended transaction.

The board of directors of the Company is required to decide on the following transactions that fall within the scope of the procedure provided for in Article 7:97 CCA (together, the "Transaction"):

- i. the issuance of the Bonds by Virya, subscribed to by the Company, and by Korys Investments; and
- ii. the subscription by the Company to certain Bonds issued by Virya.

Since the Transaction falls within the scope of article 7:97 CCA, the chairman of the board of directors on 7 May 2020 requested a committee of the 3 independent directors of the Company to issue a written, reasoned opinion as referred to in Article 7:97 CCA, if necessary assisted by an independent expert.

The procedure as provided for in Article 7:97 of the CCA has been complied with and the board of directors has taken note of the advice of the committee on 3 June 2020, that has come to the following conclusion:

"Given the above considerations, the Committee is of the opinion that the Transaction is not obviously unlawful in nature and that it is unlikely that the Transaction would lead to disadvantages for the Company that are not offset by benefits gained by the Company from the Transaction. The Committee therefore advises favourably on the proposed Transaction."

The board of directors takes note of the main terms of the Issue and discusses the opinion of

the committee. The board of directors decides to follow the opinion of the committee and to approve the Transaction, including the issuance of the Initial Bonds by Virya in an amount of EUR 104.999.428,52, to be subscribed to by the Company and by Korys Investments, and the subscription by the Company to certain Bonds issued by Virya in an amount of EUR 63.910.129,52, under the conditions described in the committee's opinion. The board of directors also decides to authorise two members of the Management Committee to execute these decisions, including a power of attorney to draw up and sign the final legal documentation necessary for the implementation of the Transaction, based on the established conditions and the negotiated term sheet, including any non-material changes that could still be required, and including a power of attorney to proceed with the public announcement of the Transaction, as referred to in Article 7:97, § 4/1 CCA. The approval of the board of directors also includes the authorisation for Virya to do everything necessary to implement the Transaction.

#### STATUTORY AUDITOR'S OPINION

Based on our assessment, conducted in accordance with the International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the

*Independent Auditor of the entity”, nothing has come to our attention that causes us to believe that the accounting and financial data, included in the minutes of the Board of Directors and in the advice of the independent directors, both prepared in accordance with the requirements of Article 7:97 of the Code on Companies and Associations, might contain material inconsistencies compared to the information available to us in the course of our engagement. We do not express an opinion on the suitability or expediency of the transaction, nor on whether the transaction is lawful and fair (“no fairness opinion”). This report has been prepared solely to meet the requirements of Article 7:97 of the Code on Companies and Associations and may not be used for any other purpose.*

*Diegem, 5 June 2021*

*Ernst & Young Bedrijfsrevisoren CVBA,  
Represented by Daniël Wuyts  
Auditor*

*In accordance with Article 7:97, §4 of the Code on Companies and Associations, we also refer to the press release published on 12 June 2020, which can be consulted on our website [www.colruytgroup.com/financial-press-releases](http://www.colruytgroup.com/financial-press-releases).*

### [2.3.1.2. Sanchore Project – Extract from the minutes of the Board of Directors meeting of 10 and 11 December 2020 – application of Art 7:96 of the Code on Companies and Associations](#)

*Korys intends to contribute the Indian wind farm structured in the holding company Korys Renewables Energy BV/Sanchore (“Sanchore”) into Virya Energy in the course of the fourth quarter of financial year 2020/21. Before the meeting takes a decision on the contribution of the Sanchore wind farm, the following two directors make the following declarations:*

- *Mr Dries Colpaert, in his capacity as permanent representative of Korys NV, announces that Korys NV has an interest of a financial nature that conflicts with the interest of the Company with regard to the contribution by Korys NV of the Sanchore wind farm into Virya Energy NV. He announces that the interests of Korys NV in the contribution conflict with the interests of the Company, given that the consequences of the valuation of the contribution and of Virya Energy NV are not equal for Korys NV and the Company.*
- *Mr Jozef Colruyt, in his capacity as director, announces that he, as a shareholder in Korys NV, has an interest of a financial nature that conflicts with the interest of the Company*

*with regard to the contribution by Korys NV of the Sanchore wind farm into Virya Energy NV. He announces that the interests of Korys NV, and by extension his interest as an (indirect) shareholder in Korys NV, conflict with the interests of the Company in the contribution, as the consequences of the valuation of the contribution and of Virya Energy NV are not equal for Korys NV and the Company.*

*As a result, Mr Dries Colpaert, in his capacity as permanent representative of Korys NV (director), as well as Mr Jozef Colruyt, in his capacity as director, do not participate in the deliberation or voting on this item, as prescribed by Article 7:96 of the Code on Companies and Associations. The other directors, who can validly deliberate and decide together on the point concerned, have resolved as follows:*

*Sanchore is a wind farm that was developed by Colruyt Group at the beginning of 2018 and sold to Korys at the end of 2018. In the light of bringing all green energy activities together under the Virya Energy holding company, the Sanchore park in India will be contributed to Virya Energy. The transaction will take place through a contribution of Sanchore via Korys Renewables Energy BV whereby Virya Energy will become the 100% owner of Sanchore. The valuation of Sanchore was updated based on the model*

initially used for the sale of Sanchore by Colruyt Group to Korys. The main deviations concern the impact of renegotiated loans, an adjusted tax regime in India and the time value of money by applying a different measurement date. The value of Sanchore is estimated at EUR 14,1M of which approximately EUR 5,2M is represented by a shareholder loan from Korys and EUR 8,9M is the underlying share value. The total value is approximately EUR 2,7M higher than the one paid by Korys in 2018, due to the deviations mentioned above. At the level of Virya Energy, the contribution will lead to a shift in the shareholder percentage held by Korys (from 39,1% to 40,2%) and by Colruyt Group (from 60,9% to 59,8%). Because the measurement of the contribution is covered by the 'de minimis' exception provided for by law, the legal procedure of Art. 7:97 of the Code on Companies and Associations on Conflicts of Interest does not apply.

The Board of Directors takes note of the main details of the contribution of Sanchore by Korys to Virya Energy. This transaction reinforces Virya Energy's strategy to coordinate all green energy activities. Notwithstanding the existence of conflicting interests of a financial nature, the Board is of the opinion that the valuation of the contribution of the Sanchore wind farm by Korys to Virya Energy, as described above, is in line with

the valuation method and techniques that have already been applied in the past in the context of the sale, at the time, of the wind farm and that thus the real economic value of the contribution is reflected. The Board therefore declares that it has no further objections and that it endorses the transaction.

## 2.4. Remuneration Policy

### Introduction

The Remuneration Committee is responsible for assessing and drawing up Colruyt Group's remuneration policy. The Board of Directors decides on the proposals elaborated by the Remuneration Committee. In the event of a material change and at least every 4 years, the remuneration policy is submitted for approval to the General Meeting of Shareholders of Colruyt Group.

The Remuneration Committee makes recommendations regarding the level of the remuneration of directors, including the Chairman of the Board of Directors, as reported in the remuneration report. These recommendations are subject to approval by the entire Board of Directors and subsequently by the

General Meeting. The policy as described here will be submitted for approval for the first time to the general meeting of 29/09/2021. If approved, the policy will apply for the coming 4 years.

The Remuneration Committee has also submitted recommendations to the Board of Directors for approval regarding the remuneration of the CEO and the COO and, on the recommendation of the Chairman of the Management Committee, with regard to the other members of the Management Committee.

### Information on the general principles of the remuneration policy

#### GENERAL PRINCIPLES OF THE COLRUYT GROUP REMUNERATION POLICY

Colruyt Group is a family business with various food and non-food formulas operating in Belgium and abroad. At the same time, these different business formulas share a single common identity and culture, which is translated into our mission statement and nine core values. With the Colruyt Group remuneration policy, we are therefore committed to maximally stimulating the group's interests and achieving our strategic objectives. For this reason, the Colruyt Group remuneration policy starts from the following principles:

- **A single group-wide remuneration policy that applies to all employees.** In this way all business formulas are guided by the same guidelines and we strive to stimulate internal job mobility as much as possible across the entire group.
- **Everyone shares in the collective result of Colruyt Group.** We are committed to a collective variable wage for all employees.
- **Fair remuneration for every employee.** At Colruyt Group we strive for a fair salary for every employee linked to his or her responsibilities and work context. We compare each salary package with both the internal and external market to arrive at a fair remuneration.
- **We want to honour visible individual performance and growth potential.** That is why we focus on various remuneration elements (both financial and non-financial).
- **Remuneration is more than just salary.** At Colruyt Group, opportunities for growth and development, a sustainable context, and a work-life balance, in addition to salary, are an essential part of the total remuneration package.

With its remuneration policy, Colruyt Group strives to contribute to its business strategy, to the realisation of both short and long-term objectives, to promoting sustainable value

creation for the company and to safeguarding the group's ability to recruit and retain employees and motivate them on a daily basis.

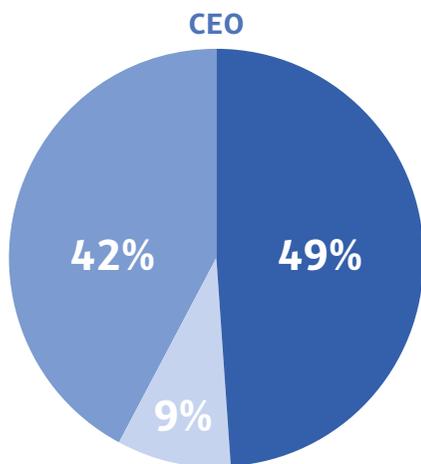
#### COMPOSITION OF THE REMUNERATION PACKAGE MANAGEMENT COMMITTEE

The remuneration package consists of two main elements: a basic salary and a variable salary. In order to guarantee fair remuneration to the members of the Management Committee, the remuneration package is compared with that of a relevant basket of companies. The companies whose remuneration practices are consulted include large Belgian companies and foreign companies with significant operations in Belgium, which are sufficiently comparable to Colruyt Group in terms of size and complexity. The market comparison is intended to aim the gross annual salary, consisting of the basic salary and the variable salary if targets are met, at the median of the market so as to achieve a remuneration package that is sustainable in the long term.

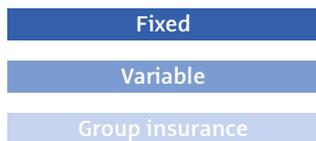
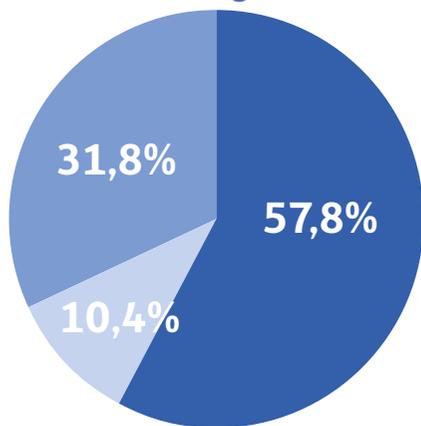
The remuneration package is supplemented by a competitive group insurance policy, and disability and hospitalisation insurance. Added to this is a company car and a fixed expense allowance.

The diagram below shows the relative portions of the fixed salary, the variable salary and the

group insurance in the target remuneration package (assuming 100% achievement of the target performance criteria) for the CEO and the members of the Management Committee (excluding CEO). The ratio of fixed salary/variable salary/group insurance may vary between the members of the Management Committee.



#### Members of the Management Committee



#### VARIABLE SALARY

In order to establish a direct link between remuneration and performance of both employee and organisation, a significant part of the remuneration package consists of a variable remuneration.

##### • TARGET LEVEL

The CEO acts as Chairman of the Management Committee. The variable salary, if targets are met, is 85% of the base salary for the CEO, 75% for the COO Retail, 62,5% for the General Manager Colruyt Lowest Prices and 50% for the other members of the Management Committee.

##### • PERFORMANCE CRITERIA

70% of the annual variable remuneration of the CEO and the other Management Committee members is determined according to **collective criteria** based on the operating profit targets of Colruyt Group. The Board of Directors determines every four years what level of operating profit we set as the target level. In setting this target level, performance relative to other retail companies is also taken into account.

Operating profit as the financial performance criterion reflects Colruyt Group's ambition to create added value in a sustainable way. Any good company needs to generate a profit to continue to grow in a sustainable way. By focusing on profitability, we generate sufficient cash to continue investing in the long term and

thus realise our strategy. In order to give priority to the group interest, these performance criteria apply to the entire Management Committee and also form the basis for determining the level of profit sharing for all employees of Colruyt Group Belgium.

The remaining 30% is determined by **individual criteria** including, in particular:

- participation in the group's mission and vision creation
- determining and implementing strategy
- development of potential
- supporting and stimulating the corporate culture
- other qualitative criteria such as working atmosphere, staff turnover, team building, readiness of staff to serve, policy for preventing occupational accidents, etc.

The individual performance criteria are determined annually for each individual and embody the various levers identified from the strategic objectives. For the CEO and COO, these performance criteria are drawn up and evaluated by the Board of Directors. For the other Management Committee members, these are proposed and evaluated by the Remuneration Committee and validated by the Board of Directors on the basis of recommendations from the CEO/COO.

• **EVALUATION**

The CEO and Management Committee members are evaluated annually, during the first few months following the end of the financial year.

The variable salary is a maximum of 1,75 times the target variable remuneration. If the performance falls below a predetermined minimum level, no variable remuneration is awarded.

The amount of the variable remuneration of each Management Committee member is determined as follows, depending on their individual evaluation:

- If the Management Committee member has achieved less than half of the individual performance criteria:

- ▷ up to half the collective variable remuneration can be awarded
- ▷ but no individual variable remuneration will be awarded
- If the Management Committee member has achieved half of the individual performance criteria:
  - ▷ up to half the collective variable remuneration can be awarded
  - ▷ half of the variable remuneration resulting from the achievement of the individual performance criteria can be awarded
- If the Management Committee member has achieved more than half of the individual performance criteria:
  - ▷ the collective variable remuneration can be awarded in full
  - ▷ the variable remuneration resulting from the achievement of the individual

performance criteria can be granted only pro rata to the criteria achieved.

In the event of exceptional circumstances or performance by one or more members of the Management Committee, the Chairman of the Management Committee may draw from an extra budget over and above the aforementioned variable remuneration. This envelope can amount to a maximum of 10% of the fixed basic compensation.

If the group's EBIT falls for the relevant financial year below a certain threshold, then, on the recommendation of the Board of Directors, no variable remuneration at all is paid.

Performance criteria	Relative weight	a) Performance – lower limit b) Corresponding payout level	a) Performance – maximum b) Corresponding payout level
<b>Collective</b>	70%	a) EBIT lower limit b) 0	a) EBIT upper limit b) Factor x 1,75
<b>Individual</b>	30%	a) < 50% achieved b) Individual: 0 Collective: max 50%	a) > 50% achieved b) Individual: Pro rata to level achieved Collective: max 100%

## OTHER PROVISIONS

The Extraordinary General Meeting of 13 October 2011 decided to make use of the authorisation provided by article 7:91 of the Code on Companies and Associations (formerly article 520ter of the Companies Code) and expressly decided not to apply the provision regarding the permanent acquisition of shares and share options or the provision regarding the staged payment of the variable remuneration to all persons covered by these provisions. Article 13 of the articles of association has been amended accordingly. The company will therefore not be bound by the restrictions stipulated by article 7:91 of the Code on Companies and Associations regarding the staged payment of the variable remuneration to the executive management. In Belgian law, there is still considerable uncertainty as to the legal validity and enforceability of a right of recovery, in favour of the company, of variable remuneration. For this reason, Colruyt Group has opted to refrain for the time being from regulating on a right of recovery of the variable remuneration.

The variable pay of the members of the Management Committee does not include any share-based compensation, except for that acquired by the members of the Management Committee in the 2019/20 financial year in

respect of the profit sharing plan for the 2018/19 financial year. In this way, the Board of Directors aims to avoid any motivation for speculative behaviour.

For the next two financial years, no radical changes are expected in the remuneration policy compared to the reported financial year.

## DIRECTORS

The directors are remunerated with a fixed remuneration (emolument), regardless of the number of meetings of the Board of Directors or one of its committees. We assume that a director works between 20 and 25 days a year in his or her director's role. We believe that structuring the board and its committees with a single clear and transparent remuneration for the efforts of the directors is more desirable for corporate governance in a listed company. The Board of Directors has a collective responsibility and we also want to approach the remuneration of the directors from this perspective.

In line with previous years, non-executive directors at Colruyt Group did not receive any share-based remuneration. This deviation from the recommendations of the Belgian Corporate Governance Code 2020 is in our view justified, since the Board of Directors has a dual role in

our one-tier board model, which is to support entrepreneurship on the one hand and to ensure effective supervision and control on the other. To avoid the granting of shares to non-executive directors increasing the likelihood of a conflict of interest, these persons do not receive performance-related remuneration or share-related compensation.

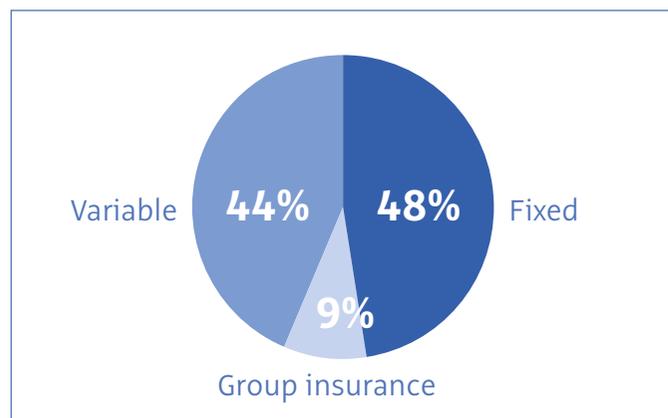
## 2.5. Remuneration report for financial year 2020/21

### Introduction

A general overview of the company's performance and the main environmental factors, relevant events, developments and decisions that have influenced this can be found in the management report (page 20-31).

### REMUNERATION OF THE CEO (CHAIRMAN OF THE MANAGEMENT COMMITTEE)

The remuneration paid directly or indirectly to the CEO in financial year 2020/21 comprised:



Basic salary	EUR 693.588
Variable remuneration in cash	EUR 631.977
Contributions paid for group insurance <sup>(1)</sup>	EUR 124.846
Other components <sup>(2)</sup>	EUR 7.920
<b>Total</b>	<b>EUR 1.458.331</b>

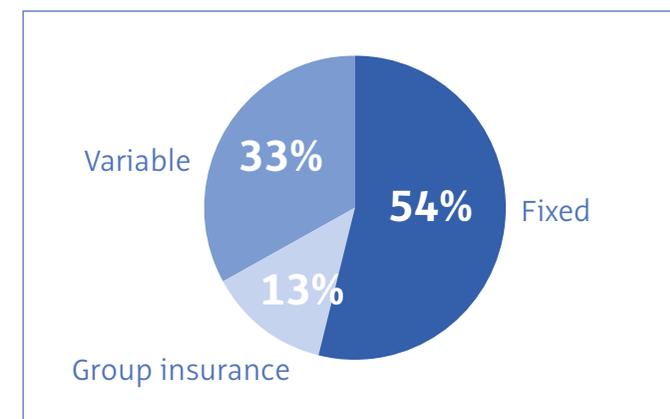
- (1) The CEO benefits from a supplementary pension plan. This supplementary pension plan is of a defined contribution type, with Colruyt Group paying an annual contribution of 18% of the basic compensation.
- (2) Other components consist solely of a fixed expense allowance. This is not included in the above table.

The basic salary was increased by 5,36 % starting from the 2019/20 financial year. The increase is due to indexation (0,8%) and an individual supplement. The variable remuneration in cash for services in financial year 2019/20, paid to the CEO in financial year 2020/21, rose in comparison to the variable remuneration in cash paid in financial year 2019/20. The higher variable remuneration is mainly due to the increase in the collective performance criterion operating profit in financial year 2019/20. The individual performance criteria in terms of strategy, sustainable value creation and succession planning were, as in the previous financial year, positively assessed given the achievement of predefined objectives.

The pay ratio within Colruyt Group is 1,9%. This is the ratio of the lowest Belgian salary in the group to the CEO's salary. When using the average salary for the comparison, this pay ratio is 3,1%. It should be noted that the CEO's remuneration (under his service contract) is taken here as the cost of the package, while for employees this is the gross pay excluding employer's social security contributions. In this calculation, we have included only employees in Belgium who worked continuously for a full year during the 2020/21 financial year.

### REMUNERATION OF OTHER MEMBERS OF THE MANAGEMENT COMMITTEE

The remuneration paid directly or indirectly to the other members of the Management Committee in financial year 2020/21 comprised overall:



Basic salary	EUR 3.397.731
Variable remuneration in cash	EUR 2.078.325
Contributions paid for group insurance <sup>(1)</sup>	EUR 840.745
Other components <sup>(2)</sup>	EUR 40.590
<b>Total</b>	<b>EUR 6.357.391</b>

(1) The members of the Management Committee benefit from a supplementary pension plan. This supplementary pension plan is of the defined contribution type, with Colruyt Group paying an annual contribution of 18% of the monthly salary x 13,92. As of this year, this amount also includes additional individual pension commitments. This explains the strong increase compared to the previous financial year.

(2) Other components consist solely of a fixed expense allowance. The members of the Management Committee are also entitled to other benefits, such as disability insurance, hospitalisation insurance and a company car. This is not included in the above table.

These figures show the remuneration in gross amounts for a complete financial year. Compared to the previous financial year, the number of management committee members has remained stable. Dirk Depoorter (General Manager Retail Partners Colruyt Group) left the group on 01/03/2021 to become CEO of AgeCore, the international purchasing alliance of which Colruyt Group is a part. He is replaced by Johan Vermeire, who was already active in Colruyt Group as Deputy Sales Manager Colruyt Lowest Prices. Johan Vermeire will join the Management Committee

from the 2021/22 financial year.

In the context of a market comparison during the 2020/21 financial year, provision was made for salary increases for Management Committee members where necessary. This exercise is part of the policy to provide a competitive salary. This explains the increase in basic remuneration compared to the 2019/20 financial year.

This increase in the basic remuneration, in combination with the increase in the collective performance criterion operating profit for financial year 2019/20, also results in an increase in variable remuneration.

The variable remuneration comprises payment for services for the group during financial year 2019/20. All members of the Management Committee included in the above overview are salaried employees, with Colruyt Group paying social security contributions on their gross salaries.

### Information on exit payments

Managers who are members of the Management Committee and bound to their employer by employment contracts have no individual contractual claims with respect to Colruyt Group regarding their exit payment.

Following the retirement of Dirk Depoorter, an individual pension commitment was granted in financial year 2020/21 to the value of approximately 1 year's salary. This remuneration consisted of (i) variable pay for his performance in the 2020/21 financial year and (ii) an additional bonus in recognition of his many years' dedicated service as a manager at Colruyt Group.

EVOLUTION OF THE REMUNERATION OF CEO AND MANAGEMENT COMMITTEE MEMBERS AND OF THE PERFORMANCE OF COLRUYT GROUP

	<b>FY 2019/20 vs FY 2018/19</b>
<b>Total Remuneration <sup>(1)</sup></b>	
CEO	4,38%
Management Committee	10,87%
<b>Variable pay <sup>(1)</sup></b>	
CEO	7,31%
Management Committee	10,30%
<b>Performance Colruyt Group</b>	
EBIT margin	0,16%
<b>Social added value</b>	
Employment FTE	2,53%
CO <sub>2</sub> per million EUR turnover (tonnes)	-7,34%
Food donated to social organisations (tonnes)	26,27%
<b>Average pay FTE Colruyt Group <sup>(2)</sup></b>	
Wage mass / FTE	1%

(1) For the calculation of total remuneration and variable remuneration, we operate here with the accumulated salary. This means that we always take into account the variable remuneration paid in year X+1, which was accumulated in year X.

(2) This is based on the total remuneration as stated in the consolidated annual report divided by the total number of FTEs.

As mentioned in the footnote, we work with the accumulated salary in the table above. The basis for this is that the variable salary paid in financial year 2020/21 is determined on the basis of performance in financial year 2019/20. In this way the total remuneration stated above for financial year 2019/20 consists of the fixed salary, contributions to group insurance and other components received in financial year 2019/20, supplemented by the variable salary received in financial year 2020/21. This approach simplifies comparison between the group's results and the remuneration paid.

We note that the evolution of the variable remuneration follows the evolution of the EBIT margin. As described in the remuneration report, 70% of the annual variable remuneration of the CEO and the other Management Committee members is determined according to collective criteria based on the EBIT margin of Colruyt Group.

In addition to the financial results, Colruyt Group focuses strongly on social aspects and sustainability. In recent years, the group has made great strides in achieving the objectives in this regard.

## REMUNERATION OF MEMBERS OF THE BOARD OF DIRECTORS

### EMOLUMENTS

All directors of the group receive emoluments as payment for their appointments. On the advice of the Remuneration Committee, the Board of Directors decided to keep the directors' individual emoluments for financial year 2020/21 at the same level as the previous financial year. Thus, in financial year 2020/21, the members of the Board of Directors received the following emoluments:

### EMOLUMENTS RECEIVED IN 2020/21 <sup>(1)</sup>

Korys NV (with permanent representative Dries Colpaert)	EUR 94.000
Korys Business Services I NV (with permanent representative Hilde Cerstelotte)	EUR 94.000
Korys Business Services II NV (with permanent representative Frans Colruyt)	EUR 94.000
Korys Business Services III NV (with permanent representative Wim Colruyt)	EUR 94.000
Jef Colruyt (Chairman) <sup>(2)</sup>	EUR 282.000
François Gillet <sup>(3)</sup>	EUR 47.000
ADL CommV (with permanent representative Astrid De Lathauwer, independent director)	EUR 94.000
7 Capital SRL (with permanent representative Chantal De Vrieze, independent director)	EUR 94.000
Fast Forward Services BV (with permanent representative Rika Coppens, independent director)	EUR 94.000
<b>TOTAL</b>	<b>EUR 987.000</b>

(1) Gross amounts on an annual basis.

(2) Since 1 January 2020, Jef Colruyt, as a natural person, has assumed the chairmanship of the Board of Directors.

(3) The directorship of François Gillet (Sofina NV) was not renewed at the General Meeting of September 2020. He therefore received directors' emoluments for two quarters in the 2020/21 financial year.

### OPINION FROM SHAREHOLDERS

In accordance with article 7:149 of the Belgian Code on Companies and Associations, we inform you that the previous remuneration report as part of the annual report for the 2019/20 financial year was presented at the General Meeting of Shareholders of 30 September 2020, and was approved by 81,61% of those present and shareholders represented by proxies.

## 3. Risk management and internal controls

### 3.1. General

Colruyt Group aims to pursue a policy of sustainable entrepreneurship. In practice, this policy is converted into the strategic and operational objectives of the group and of each division within the group. However, the group is exposed to a number of operating risks in the context of its normal business operations, which could mean that it is possible to achieve the aforementioned objectives only in part. Controlling these risks is a core task of each member of the Management Committee, within his/her domain of responsibility. To assist management, the group has set up a series of risk management systems with the aim of providing reasonable certainty in the following domains:

- realisation of strategic objectives
- effectiveness and efficiency of business processes
- reliability of financial reporting
- compliance with applicable laws and regulations

The main characteristics of these systems as well as the most relevant risks for the group are discussed in this section of the annual report.

The principles of the COSO reference framework have served as a source of inspiration for the

group in setting up these risk management systems.

### 3.2. Components of risk management and internal control systems

#### 3.2.1. Management environment

The group's management environment forms the basis for all other components of the risk management systems and is mainly represented by the company culture. The uniqueness of this is based on a number of pillars such as our group mission, values, employees and organisational structure, which are attuned to one another (the group's 'organisation model'). These pillars help increase risk awareness in the context of 'craftsmanship' and 'entrepreneurship' when weighing up opportunities and making decisions.

In concrete terms, the group's management environment includes the following elements:

- Propagating and living out the group values ('value immersion'), policy frameworks and codes of conduct

- Leadership style and exemplary role of management
- A culture of cost efficiency
- Establishing delegation and responsibilities ('decision matrix' and 'responsibilities table')
- Ensuring the expertise of our employees (job descriptions, selection process, competence management through development interviews and training plans)

#### 3.2.2. Risk management process

##### A. BACKGROUND AND OBJECTIVE

Colruyt Group has developed an overarching risk management system based on the principles of Enterprise Risk Management (ERM) under the name of 'Coris' (Colruyt Group Risk Management). The main objectives are to increase the risk awareness of all employees and to draw up an inventory of the risks to which the group is exposed in order to then control them. We wish to encourage our employees to take controlled risks, as entrepreneurship is based on taking risks. To this end, all supervisors and employees concerned participate in Coris training sessions. All operating units of the group have gone through the Coris process as described below, and this is updated on a regular basis.

## B. PROCESS AND METHODOLOGY

The entire group is divided into Business and Service Operating Units (BSOU). Each BSOU must go through the following process steps in a structured manner:

- risk identification
- risk analysis and risk evaluation
- risk response (set up additional management measures if necessary), monitoring and adjustment

The entire process is coordinated and facilitated by the Risk and Compliance department, in consultation with the Management Committee. Reporting takes place on a quarterly basis to the Management Committee and, via the Audit Committee, to the Board of Directors.

The main risks relating to Colruyt Group's operations are reflected in a risk universe divided into five categories:

- strategic risks: such as market dynamics, governance, planning and the allocation of resources, major initiatives, acquisitions and communication
- operational risks: these include marketing and sales, purchasing, stocks and production, human resources and organisation, information technology, fixed assets and theft
- financial risks: these comprise risks associated with the financial markets (interest rates,

currencies, commodities), liquidity and loans, capital structure, accounting and financial reporting

- legal risks: codes of conduct (ethics, fraud), legal risks and legislation
- risks of force majeure: natural disasters, fire, acts of terrorism and power failures

In order to allocate a risk score to the identified risks in a consistent manner, scales have been developed for 'probability' and 'impact'. The impact scale is based on the risk appetite determined by the Board of Directors for the group, together with the respective operating units. A risk matrix is drawn up for each operating unit based on the risk scores, with risks classified as critical, high, moderate, low or insignificant. Critical risks must be avoided as much as possible; where this is not possible, mitigation plans are to be introduced immediately. High risks must be accompanied by a risk response. Moderate risks should be monitored periodically and action plans implemented if necessary. Low risks may be accepted; though quick wins may be implemented. Insignificant risks must be accepted.

All risks are recorded in the risk register of the operating unit concerned, specifying any relevant KRIs (Key Risk Indicators). Furthermore, each risk is allocated to a risk owner who is responsible for setting up and implementing action plans and

for the monitoring and follow-up of his/her risks. A risk coordinator is appointed for each OU and keeps risk management alive in the OU through the administration and management of the risk registers.

The members of the Management Committee are instructed to include risk management as an explicit chapter in their periodic activity reports.

### 3.2.3. Measures regarding risk management and internal controls

#### A. GENERAL: PROCESS AND SYSTEM APPROACH

Identified risks are provided with a risk response through management measures and internal controls that are built into processes and systems. For new processes and systems, this is done at the time of design and development. For existing processes and systems, newly occurring risks are controlled through the introduction of additional measures and internal controls (process and system optimisation). The Business Processes & Systems department supports the design and optimisation of processes and systems and thus also the integration of management measures and internal controls into them. The process managers are the risk owners and thus bear the final responsibility for their process being 'under control'.

## B. MAIN RISKS AND MANAGEMENT MEASURES OF COLRUYT GROUP

### Strategic risks

- *Risks related to market dynamics*

A major strategic risk of the group relates to trends in consumer spending and cost inflation. As Colruyt wants to guarantee the lowest prices on the market for the consumer, the actions of competitors can affect the group's profitability. Therefore, where possible the group continually endeavours to introduce efficiency improvements and reviews its cost structure where necessary.

- *Risks relating to expansion*

The group is committed to a growth strategy that includes both organic growth and growth through acquisitions. The success of this growth thus also depends on the extent to which the group is able to make acquisitions which it can integrate successfully into its existing operations. In the event of cross-border acquisitions, the group is also exposed to the economic, social and political risks associated with operating in these countries. The group strives to mitigate the aforementioned acquisition risks as far as possible through a formalised acquisition process, including robust due diligence activities.

### Operational risks

- *Supply risk (supply chain)*

The continuous supply of goods to the group's distribution centres and stores is of vital importance for achieving our performance objectives. In order to reduce supply chain risks, the group aims for a transparent, long-term relationship with all of its suppliers. Moreover, no single supplier has a dominant position that could jeopardise the supply process. Finally, scarcity or supply problems can be absorbed within the network of the AgeCore purchasing group. The unavailability or inaccessibility of the distribution centres can also have a significant impact on the continuity of our activities. The group has implemented the necessary continuity programmes and contingency measures in order to mitigate this risk as far as possible.

The consequences of Brexit have also been investigated for potential supply chain risks. In view of the small number of direct single suppliers from the UK, this risk is not material.

- *HR-related risks*

Trade union representation exists in most of the group's operations in Belgium and France. A positive and constructive social climate contributes to the company's growth and development. Industrial action within or outside our organisation may have a negative impact

on the continuity of the group's activities in that deliveries, sales, production or corporate services may be temporarily disrupted. Colruyt Group endeavours to minimise this risk by pursuing a strategy of open and transparent communication with all employees and social partners.

- *IT risk*

The group relies considerably on its IT systems: infrastructure, networks, operating systems, applications and databases. Over the years, these systems have become increasingly important for Colruyt Group. Although these systems are maintained by a team of experienced specialists, their failure, even for just one day, could result in an immediate loss of revenue for the group. The group endeavours to safeguard the continuity of data processing through various mirror and backup systems, continuity plans and contingency scenarios. Additionally, the group invests in various transformation programs and projects to renew and strengthen its current infrastructure, in which disaster recovery and business continuity play an important role.

### Financial risks

- *Financial reporting*

The risk management systems and internal control systems relating to the financial

reporting process are described in detail in paragraph 3.3. below.

- *Currency, interest rate, credit and liquidity risks*  
Given the nature and structure of its activities, the group is exposed only to a limited extent, with the exception of credit risk, to these financial risks, which are described in more detail in the 'Notes to the consolidated financial statements' under the chapter 'Risks associated with financial instruments'.

#### Legal risks

- *Risks associated with product liability*  
The production, packaging and selling of goods for resale may entail risks of product liability, and obligations to take back and/or replace goods. Products may be soiled, contaminated or defective and still be distributed by the group unintentionally. As a result, the group may be exposed to claims relating to product liability. Even if the product liability claims are not successful, the group could still suffer as a result, due to the impact that such a claim could have on its reputation. The group insures itself against the risks of product liability and recalls. The group itself is also active in the area of food safety, including quality audits on products intended for sale. Together with suppliers, programmes are developed to permanently

monitor quality. As far as non-food articles are concerned, the group requires its suppliers to adhere to the pre-agreed return and/or replacement obligations.

- *Risks relating to environmental liability*  
The group may be held liable for remedying accidental damage to the environment, regardless of whether this environmental damage was caused by the group or by a previous owner or tenant. The group has taken out insurance policies for this type of risk. As far as its filling station operations are concerned, the group complies with the statutory inspection obligations. It also carries out additional inspections to detect pollution in good time. A decontamination plan is immediately drawn up for any pollution found.
- *Regulatory risks*  
The group is subject to the laws and regulations applying in every country in which it operates, as well as to the laws and regulations imposed by the European Union. As a result of its listing on Euronext Brussels, the group is subject to Belgian and European corporate governance laws applying to listed companies. The group strives to respect its statutory obligations. Due to changing laws or regulations, the group may have to invest further in its administrative or other processes.

Changes in the regulations in a country or region where the group operates may have an impact on Colruyt Group's results. As far as possible, the group endeavours to accommodate changes in a proactive manner, in other words, by adopting an innovative and progressive approach. The best example of this approach is environmental legislation, where possible stricter emission controls have already been accommodated by proactive investments in solar and wind energy. Furthermore, changes in tax laws may affect the profit made by the group, both positively and negatively.

In order to keep the regulatory risks under control, the group has set up the necessary competence centres and compliance activities.

- *Competition*  
Since 2007, a number of new and specific control measures have been developed and implemented to monitor the group's compliance with the competition regulations.
- *Health and safety risks*  
The risks relating to occupational accidents and obligations regarding personnel are covered by insurance policies with external insurers. The group strives to prevent health and safety incidents as far as possible through extensive safety and prevention programmes.

- *GDPR-related risks*

Since 2018, a number of new and specific control measures have been developed and implemented in the group to monitor its compliance with the regulations concerning the protection of data.

#### Risks of force majeure

- *Fire, natural disasters, terrorism, malicious acts*

The group manages these risks partly by insuring them on the external insurance market, combined with its internal captive reinsurance company Locré. The group bases its decisions on the cost of external cover on the one hand and the level of its safety and prevention programmes on the other. External insurance is also used whenever this is compulsory by law. The objective of this reinsurance programme is to provide permanent flexibility in its risk programme and to optimise the cost of this according to the risks. The group seeks to prevent damage to buildings and business interruption due to fire, explosion or other perils as far as possible through fire safety and prevention programmes.

- *Blackouts and power failures*

The detrimental consequences of these risks are covered by insurance policies. In addition, the group has a number of continuity programmes

and contingency plans and resources at its disposal in the event of an incident occurring.

- *Pandemic*

Following the outbreak of the COVID-19 virus, pandemic risk is now included in Colruyt Group's global risk register. To ensure the continuity of the group's activities, a number of business continuity plans have been drawn up to manage this risk. These plans serve to guarantee the continuity of purchase, logistics and sales as well as all necessary corporate services.

#### Risks of corruption and bribery

We actively monitor the corruption risk in our Enterprise Risk Management (ERM) in the form of a **fraud dashboard**. This dashboard has been developed on the basis of 13 different fraud risks. For each risk we analyse its causes and consequences, provide the necessary control measures and monitor these periodically. We apply the group values, policy frameworks and **codes of conduct** throughout the group. All our employees follow training on values perception and ethics. New buyers sign an **ethics charter**, with explicit guidelines for gifts, hospitality benefits and screening of suppliers in high-risk countries. Buyers switch jobs, product area or business unit regularly and there is a strict **segregation of functions** within the different

steps of the purchase process. **Purchasing** takes place **centrally**, with systematic application of the four-eyes principle. Finally, buyers undergo continuing education and training, including mandatory **compliance training** and an annual test.

#### C. RISKS ASSOCIATED WITH THE NON-FINANCIAL REPORTING OF COLRUYT GROUP

The following risks have been defined with regard to Corporate Sustainability. These risks are managed and reported in a structured and systematic manner via Colruyt Group's Enterprise Risk Management Platform. Our approach to managing these risks can be found in the Corporate Sustainability chapter.

#### Risks related to environmental matters (SDG 2, 6, 7, 12 and 13)

As a retailer, we have a major impact on the environment through the product chains. To keep this impact to a minimum, we dedicate a lot of effort to measuring and mapping. Increasing transparency appears to be a challenge for the entire food and non-food sector. A possibility exists that the actors in the chain will be unwilling or unable to share their **data**, or will pass on incorrect data. From our strategic position in the chain, we want to exert leverage by pointing to the

importance of measuring, collecting and analysing the impact of each actor in the chain on the environment and on animal welfare.

In addition, we are taking steps to make the product chains and activities more sustainable in a systematic way. Our involvement in product chains can vary. First of all, we opt for the **local delivery of products**. In this way, we have greater impact on improving production and distribution conditions. Despite our own willingness to invest in sustainability, there is a risk of receiving **insufficient support from other actors in the value chain**.

In addition, we are very much committed to new and long-term collaboration models in existing and new production chains. We prefer products that are certified with a focus on good management and restoration of existing ecosystems. There is a risk of our being unable to source sustainably in an optimal way owing to **excessive dependence** on one or a limited number of suppliers.

With a lack of control on environmental and animal welfare matters, there is a risk of accidental environmental damage being caused by the group. As a result, we can suffer reputational damage and be perceived as an organisation that fails to realise its sustainability goals.

Natural disasters can damage both supply chains and our own infrastructure. We provide the

necessary monitoring for this and have drawn up risk management and business continuity plans.

#### Sustainability risks related to social affairs (SDG 2, 3 and 8)

Colruyt Group is strongly anchored in the social fabric, both through its own production and retail sites as well as through local and international supply chains.

Local anchoring points to the importance of close contact with consumers, producers and site neighbours. Social unrest can arise from the activities we carry out. It is important to capture this in time and enter into dialogue.

**Supply chains involving foreign players** are more difficult to control. For example, social unrest can arise due to political and economic instability in countries from which products are supplied. There is a risk that goods can no longer be sourced or distributed locally. We have the necessary monitoring for this and have drawn up business continuity plans.

#### Sustainability risks related to personnel matters (SDG 3 and 8)

We seek to organise the work of all our employees in a safe and physically and mentally healthy way. Even so, **risks of (occupational) diseases, occupational accidents and psychosocial risks**

are inherent in the company's activities. The group therefore pays the necessary attention to ensure that the current jobs can be performed optimally with a view to physical and mental well-being. Important factors are the nature and meaningfulness of the work, as well as the degree of work pressure. We provide our employees with a wide range of training courses to broaden their professional competences or for further personal growth.

In the current coronavirus crisis, the **workplace safety** of our employees can potentially be jeopardised. To cope with these greater risks, we have increased the control measures, monitoring has been tightened and the majority of employees of the central services can work from home. Working from home, in turn, leads to an increased risk of **unhealthy work-life balance**. As an employer, we are aware of this and we are fully committed to raising awareness.

In addition, different types of **social unrest among own employees** influence the objectives of the group. We are committed to maintaining a constructive social dialogue to manage this risk. Finally, with regard to personnel policy, we may experience difficulties in **recruiting suitable employees**. Insufficient influx of properly trained and experienced staff, especially in shortage professions, can result in a lack of new insights and potentially jeopardise business continuity. We are therefore committed to offering a stimulating

career policy and a supportive remuneration package.

#### Sustainability risks related to human rights (SDG 8 and 12)

In a people-oriented organisation, respect for human rights is always paramount. And that applies as much to our own employees as right along the value chain. The biggest challenge in terms of risk management lies here in **monitoring compliance with human rights**. Initially with regard to our own brands, but also in the product chains of the brands that we distribute as a retailer.

When human rights violations by chain actors come to light, we run the risk of being held liable and suffering reputational damage. The group manages this risk, among other things, by working with suppliers of private-label products with the **amfori BSCI Code of Conduct** that subscribes to universal human rights principles.

#### Sustainability risks related to corruption and bribery

In the field of corruption and bribery, Colruyt Group may run the risk of becoming involved in **unwanted influence**, conflicts of interest, non-objective pricing and subjective awarding of contracts. We monitor this risk within our Enterprise Risk Management. More information

can be found in section Risks of corruption and bribery on page 149.

#### **3.2.4. Information and communication**

In order to enable employees at different hierarchical levels of the group to perform their jobs properly and to assume their responsibilities, the group has extensive and intensive information and communication flows. This ranges from transactional data, which is used to support the completion of individual transactions, to operational and financial information with regard to the performance of processes and activities, from department to group level. The general principle that applies here is that employees receive the information they need to perform their work, while supervisors receive information regarding the elements on which they have an impact. The main control information concerns cockpit reporting on achievement versus expectation for the main financial and operational KPIs:

- financial scorecards: revenue, gross profit, wage costs, other direct and indirect costs and depreciation, EBIT and EBITDA
- operational reporting: detailed reporting on revenue, gross profit, wage costs, store contribution, store productivity
- project reporting for the purpose of project monitoring

#### **3.2.5. Monitoring**

The Board of Directors supervises the proper functioning of the risk management systems through the Audit Committee. For this, the Audit Committee uses the information provided by the external auditors as well as the interaction with the Risk & Compliance (Internal Audit) department. The latter reports on a quarterly basis on the activities performed and results.

Both external audit and the Risk & Compliance department assess the organisation and functioning of the internal controls contained in processes and systems, from their respective perspectives: for external audit this concerns the certification of the group financial statements, for risk management the emphasis lies more on controlling process risks and possible negative consequences of these risks.

Day-to-day monitoring is done by management itself based on supervision, analysis and monitoring of the information mentioned in the previous paragraph, monitoring of exception reports and monitoring in the context of the Coris programme (Key Risk Indicators). If necessary, corrective measures are initiated. It is generally the process manager who performs these monitoring activities. In this regard, the financial controllers fulfil a reporting and advisory role with respect to the operational managers.

### 3.3. Risk management and internal controls regarding the financial reporting process

Late or incorrect reporting of financial figures can have a considerable impact on Colruyt Group's reputation. In order to ensure the quality and timeliness of the financial figures produced and reported, the group has introduced the following management measures and internal controls:

#### 3.3.1. Closing process

While the accounts are closed on a monthly basis, mainly for management reporting, the group financial figures are consolidated four times per year based on a formalised closing process. This process specifies the various process steps and the timeline for each step, the figures and other information to be supplied, as well as the roles and responsibilities of and the interaction between the different parties in the process. The process is monitored by a closing coordinator, who has no further involvement in the process himself. At the end of each closure, the process is evaluated and adjusted if necessary. During the half-yearly and annual closure, the process also provides for coordination with external auditors at regular points in time. To support the closing

process, a reporting manual has been prepared and introduced and an IFRS competence cell set up.

#### 3.3.2. Monitoring of the quality of the figures supplied

The closing process passes through different departments such as Accounting, Financial Controlling, Consolidation and Investor Relations, the purpose of the last two being to provide information to the Board of Directors. Each department carries out quality controls in functional separation, both with regard to the figures obtained from the previous process step and with regard to the figures that they produce themselves. These quality controls mainly concern links (for example with the various ledgers), reconciliations (for example of accounts), alignment of financial reporting with management and operational reporting, variance analyses and validation rules (for example of consolidation flows and consolidated figures). At the end of the closing process, the consolidated figures are analysed with respect to previous periods and fluctuations must be substantiated. The financial results achieved are also checked against the expectations in this respect. In the case of figures for publication, the printer's proofs are aligned with the system figures provided. Lastly, there is a final check for validation by the financial

management.

#### 3.3.3. Communication of financial reporting

In order to communicate and publish information as transparently as possible, Colruyt Group publishes financial press releases on pre-agreed dates. The communication efforts of management also find expression via financial roadshows and regular telephone contacts, as well as actual visits by and with investors and analysts. Finally, around twenty analysts publish reports containing financial information about Colruyt Group at regular points in time.