
**TERMS OF REFERENCE OF THE BOARD OF
MILKILAND N.V.**

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TERMS OF REFERENCE OF THE BOARD OF MILKILAND N.V.

These terms of reference of the Board (“**Terms of Reference**”) were revised and adopted by the Board of Directors (the “**Board**”) of Milkiland N.V. (the “**Company**”) on August, 28, 2017.

Article 1 Status and contents of the Terms of Reference

- 1.1 These Terms of Reference have been adopted in view of the provisions of the revised Dutch Corporate Governance Code as adopted by the Corporate Governance Committee on December 9, 2003, as amended in December 2008, as amended in December 2016 (the “**Code**”) and shall be applied and interpreted with reference to the Code. These Terms of Reference regulate the Board’s decision-making process.
- 1.2 To these Terms of Reference the following attachments are included, which form an integrated part of these Terms of Reference:
- Annex 2.5:** the Code of Conduct;
- Annex 7.1:** matters requiring the consent of the majority of non-executive Board members; and
- Annex 9.3:** rules for reporting and handling suspected irregularities for employees of the Company and its group companies (“**Whistleblower Rules**”).
- 1.3 Where these Terms of Reference are inconsistent with Dutch law, the law shall prevail. Where these Terms of Reference are inconsistent with the Articles of Association, the Articles of Association shall prevail to the extent the Articles of Association are not inconsistent with the law.
- If one or more provisions of these Terms of Reference are or become invalid, this shall not affect the validity of the remaining provisions. The Board shall replace the invalid provisions with ones that are valid and the effect of which, given the contents and purpose of these Terms of Reference, is to the greatest extent possible similar to that of the invalid provisions.
- 1.4 These Terms of Reference are published on the Company’s website: www.milkiland.com.

Article 2 Responsibilities of the Board

- 2.1 The role of the Board is to manage the Company, which means, among other things, that it is responsible for achieving the Company’s aims, the strategy and associated

risk profile, the development of results and corporate social responsibility issues that are relevant to the enterprise. The Board is accountable for this to the general meeting of shareholders (the “**General Meeting**”). In performing its role, the Board shall be guided by the interests of the Company and its affiliated enterprise, taking into consideration the interests of the Company’s stakeholders (including the Company’s shareholders) and the objective in creating shareholder value in the long run.

2.2 The responsibilities of the Board shall include:

- a) the achievement of the Company’s aims;
- b) determining the strategy and policies designed to achieve the aims;
- c) the general state of affairs in and the results of the Company;
- d) the compliance with all relevant legislation and regulations;
- e) managing the risks associated with the Company’s activities;
- f) ensuring financing of the Company’s operational and strategic needs;
- g) putting in place adequate and effective internal risk management and control systems;
- h) maintaining and preparing the financial reporting process;
- i) drawing up the annual budget and important capital investments of the Company;
- j) preparing and disclosing the annual accounts and other financial information;
- k) compliance with and maintenance of the corporate governance structure of the Company;
- l) giving advice to the General Meeting in connection with the nomination of the external accountant of the Company;
- m) striving for ongoing improvement of the performance in the areas of safety, health and environment;
- n) determining of organizational structure of the Company;
- o) appointing of directors of the Company’s subsidiaries;
- p) appointing of directors and top management of the Company;
- q) creating a culture aimed at long-term value creation for the Company and its affiliates.

2.3 In managing the Company, the role of executive Board member(s) shall include the authority to represent the Company, with the authority to represent the Company acting individually, whilst the role of the non-executive Board member(s) shall be to supervise, monitor, and advise the executive Board members with respect to all responsibilities as listed above under a) up to and including m).

2.4 The Board may make a division of duties, specifying the individual duties of every managing director.

2.5 Each Board member shall report on a regular basis, in such a manner as to give the entire Board a proper insight into the performance of his/her duties. Each Board

member shall have the right to receive from other Board members and from Company employees any information about matters that he/she may deem useful or appropriate in connection with his/her collective responsibility for the Company's management. He/she must consult with the other Board members if the performance of his/her duties affects the performance of the duties of the other Board members or if the significance of the matter requires consultation with the other Board members.

2.5 The Company shall in any event employ as instruments of the internal risk management and control systems:

- a) risk analyses of the operational and financial objectives of the Company;
- b) a code of conduct which should be published on the Company's website;
- c) guides for the layout of the financial reports and the procedures to be followed in drawing up the reports; and
- d) a system of monitoring and reporting.

The above referenced code of conduct, as mentioned here above under sub b), is attached as Annex 2.5. The Board shall implement this code of conduct in the Company and in all group companies. Furthermore, the Board shall appoint an internal auditor and the internal auditor shall operate under the responsibility of the Board.

Further to sub c) and d) above mentioned, the Board shall be responsible for setting up and maintaining internal procedures ensuring that the Board is aware of all important financial information, in order to safeguard timely, complete and accurate external financial reporting. To that effect, the Board shall ensure that the financial information from group companies is reported directly to it and that the integrity of the information is not affected. The Board is further responsible for the quality and completeness of publicly disclosed financial reports.

2.6 The Board shall attach to the annual accounts an annual report on how it has functioned and on the work undertaken by it. The annual report shall, in any event, provide:

- a) in a separate chapter a broad outline of the corporate governance structure of the company, partly by reference to the principles mentioned in the Dutch corporate governance code, where the company shall indicate expressly to what extent it applies the best practice provisions and, if it does not do so, why and to what extent it does not apply them;
- b) a description of main risks related to the strategy of the Company;
- c) a description of the sensitivity of the results of the Company to external factors and variables;
- d) a description of the design and effectiveness of the internal risk management and control systems for the main risks during the financial year, including an

- indication of what framework or criteria the Board used in assessing the internal risk management and control system;
- e) a description of any major failings in the internal risk management and control systems which have been discovered in the financial year, any significant changes made to these systems and any major improvements planned, and a confirmation that these issues have been discussed with the audit committee;
- f) a clear substantiation that the internal risk management and control systems provide a reasonable assurance that the financial reporting does not contain any errors of material importance and that the risk management and control systems worked properly in the year under review;
- g) any transactions, which create a conflict of interest as defined in article 8 of the Terms of Reference, shall be published in the annual report, together with a statement of the conflict of interest and a declaration that this provisions and provision 8.3 of the Terms of Reference have been complied with; and
- h) a survey of all existing or potential anti-takeover measures, including an indication in which circumstances it is expected that these measures may be used.

2.7 A Board member shall not:

- a) enter into competition with the Company;
- b) demand or accept gifts from persons or entities having actual or potential relationships with the Company or offered because of the Board member's status of a Board member (unless of a type or amount approved under the Company's Code of Conduct) for himself/herself or for his/her spouse, registered partner or other life companion, foster child or relative by blood or marriage up to the second degree as defined under Dutch law;
- c) provide unjustified advantages to third parties to the detriment of the Company;
- d) take advantage of business opportunities to which the Company is entitled for himself/herself or for his/her spouse, registered partner or other life companion, foster child or relative by blood or marriage up to the second degree as defined under Dutch law.

2.8 A non-executive board member shall be deemed to be independent if the following criteria of dependence do not apply to him. These criteria are that the non-executive board member concerned or his wife, registered partner or other life companion, foster child or relative by blood or marriage up to the second degree as defined under Dutch law:

- a) has been an employee or member of the management board of the company (including associated companies as referred to in Section 5:48 of the Financial Supervision Act (*Wet op het financieel toezicht*) in the five years prior to the appointment;

- b) receives personal financial compensation from the company, or a company associated with it, other than the compensation received for the work performed as a non-executive board member or member of board committee, and in so far as this is not in keeping with the normal course of business;
- c) has had an important business relationship with the company, or a company associated with it, in the year prior to the appointment. This includes the case where the non-executive board member, or the firm of which he is a shareholder, partner, associate or adviser, has acted as adviser to the company (consultant, external auditor, civil notary and lawyer) and the case where the non-executive board member is a member of the board of directors or an employee of any bank with which the company has a lasting and significant relationship;
- d) is a member of the (management) board of a company in which an executive member of the board of the company which he supervises is a non-executive board member;
- e) has temporarily performed management duties during the previous twelve months in the absence or incapacity of management board members;
- f) has a shareholding in the company of at least ten percent, taking into account the shareholding of natural persons or legal entities cooperating with him or her on the basis of an express or tacit, verbal or written agreement;
- g) is a member of the management board or supervisory board – or is a representative in some other way – of a legal entity which holds at least ten percent of the shares in the company, unless the entity is a group company.

Article 3 Chairman of the Board

The chairman of the board of directors, shall, in addition to the coordination of the Board's policy, be responsible for:

- a) ensuring that the Board functions in an effective manner;
- b) ensuring that budgets and policy plans are drawn up in a timely manner;
- c) supporting the other Board members and mediating in any differences of opinion between them;
- d) ensuring there is ample time for consultation, consideration and the other aspects of preparing decision-taking in and minuting of the Board meetings and the supervision of the implementation of resolutions;
- e) ensuring the preparation of the draft annual accounts with the corresponding annual report, and the dispatch of these documents to the Board members;
- f) chairing Board meetings;
- g) ensuring the timely and adequate provision of information to the Board members as necessary for the proper performance of their duties;
- h) preparing decision-taking in and minuting of meetings of the Board with the Board of group companies and meetings with the heads of the designated divisions;
- i) supervising the proper functioning of the external accountant of the Company;

- j) receiving and deciding on reports by employees of the Company of irregularities in the Company of a general, operational and financial nature, unless the Company's rules on whistleblowers;
- k) effective communication with shareholders is assured;
- l) the Board's committees are functioning properly;
- m) the functioning of individual members of the Board is assessed at least annually;
- n) the Board performs activities in respect of culture;
- o) the general meeting proceeds in an orderly and efficient manner;
- p) ensures that all members of the Board receive proper information and are involved closely regarding any merger or takeover processes.

Article 4 (Re)appointment, term, retirement and resignation

- 4.1 The Board consists of one or more members as determined by the General Meeting.
- 4.2 If the Board has more than one member, it shall have a chairman who shall ensure the proper functioning of the Board as a whole.
- 4.3 A member of the Board is appointed for a maximum period of four years, provided that, unless a member of the Board resigns before, his term of appointment will end at closing of the first general meeting to be held in the fourth year following the year of his appointment. A member of the Board may be reappointed subject to the provisions set out in the previous sentence.
- 4.4 Management positions in group companies of the Company are deemed positions derived from the position of Board member of the Company and shall therefore be subject to these Terms of Reference.
- 4.5 Board members shall not pursue the candidacy for a position as non-executive Board member or a similar position in companies not belonging to the group without the Board's prior approval. Such position must at all time contribute to the Company's interests.
- 4.6 An executive Board member may not be a member of the supervisory board of more than two listed companies. Nor may a Board member be the chairman of the supervisory board of a listed company. Membership of the supervisory board of other companies within the group to which the company belongs does not count for this purpose. The acceptance by a Board member of membership of the supervisory board of a listed company requires the approval of the Board. Other important positions held by a Board member shall be notified to the Board.

- 4.7 Board members shall retire in the event of inadequate performance, structural differences of opinion, incompatibility of interests, and other instances where dismissal is deemed necessary.
- 4.8 If one or more members of the Board (excepting, however, the chairman) are not capable of performing their duties, the remaining members of the Board or the sole remaining member shall continue to exercise the authority and responsibilities of the Board.

Article 5 Remuneration; Investment Regulation.

- 5.1 The remuneration of the Board members shall be determined in accordance with the remuneration policy prepared by the Board and adopted by the General Meeting. The remuneration policy applicable to Board members should be clear and understandable, should focus on long-term value creation for the Company and its affiliates, and take into account the internal pay ratios within the Company. The remuneration policy should not encourage Board members to act in their own interest, nor to take risks that are not in keeping with the strategy formulated and the risk appetite that has been established. The Board is responsible for formulating the remuneration policy and its implementation.
- 5.2 The remuneration of the Board members can consist of fixed components and variable components. When the overall remuneration is fixed, its impact on pay differentials within the enterprise shall be taken into account. If the remuneration consists of a fixed component and a variable component, the variable component shall be linked to predetermined, assessable and influenceable targets, which are predominantly of a long-term nature. The variable component of the remuneration must be appropriate in relation to the fixed component. Before drawing up the remuneration policy and determining the remuneration of individual Board members, the Board shall analyse the possible outcomes of the variable remuneration components and how they may affect the remuneration of the Board members.
- 5.3 The main elements of the contract of a Board member with the company shall be made public after it has been concluded, and in any event no later than the date of the notice calling the general meeting where the appointment of the Board member will be proposed. These elements shall in any event include the amount of the fixed salary, the structure and amount of the variable remuneration component, any agreed redundancy scheme and/or severance pay, any conditions of a change-of-control clause in the contract with a Board member and any other remuneration components promised to the Board member, pension arrangements and performance criteria to be applied.

**Article 6 Board meetings (agenda, teleconferencing, attendance, minutes) and
resolutions**

- 6.1 The Board shall hold meetings whenever one or more of its members have requested a meeting. In addition, meetings may be held by telephone or videoconference provided that all participants can hear each other simultaneously.
- 6.2 The chairman, or in his/her absence his/her deputy, shall chair the meeting. If both are absent, the meeting shall appoint one of the Board members as chairman of the meeting.
- 6.3 The meetings shall be convened in due time by the chairman. Any other Board member may request that the chairman convene a meeting.
- 6.4 The chairman shall determine the agenda of each meeting. Other Board members may submit to the chairman of the board items to be discussed in the meeting. The chairman may decide not to include on the agenda an item which has not been submitted on time or is not supported by sufficient documentation.
- 6.5 At the request of a Board member and with the agreement of the majority of other Board members, urgent matters may be discussed immediately or in an additional meeting.
- 6.6 The Board members must attend the meetings of the Board. Where they are unable to attend and the minutes require explanation, the chairman of the meeting shall inform them about the resolutions passed and the discussions held in the meeting in question.
- 6.7 The Board may pass resolutions, only if, at least a majority of the Board members are present. In the case of urgent matters, the chairman of the meeting shall consult with the absent Board members by telephone or telefax if he/she believes that a resolution is required.
- 6.8 The Board may adopt resolutions without holding a meeting, provided that the resolution is adopted in writing and all members of the Board have voted in favor of the resolution. The requirement of a written resolution is also met if recorded electronically.
- 6.9 Where possible, resolutions shall be passed by unanimous vote. If this is not possible, the resolution shall be taken by a majority of votes. If there is a tie, the chairman of the Board shall have the casting vote.

- 6.10 If there is insufficient consensus at the meeting about certain subjects, the chairman of the Board may refer the relevant item on the agenda for further consideration.
- 6.11 The minutes of a Board meeting shall be adopted in the next meeting. Adopted minutes shall be evidence of the proceedings. A copy of the minutes shall be given to the chairman.

Article 7 Matters requiring to be adopted with the affirmative vote of the majority of non-executive members of the Board

- 7.1 The matters described in Annex 7.1 of these Terms of Reference, of which the non-executive Board members have resolved shall require the consent of the majority of non-executive Board members.
- 7.2 Resolutions of the Board which require the approval of the non executive Board members shall not be effective until the majority of non-executive Board members have given their consent.

Article 8 Conflicts of interest

- 8.1 A Board member shall not participate in the discussions and/or decision-taking process on a subject or transaction in relation to which he/she has a conflict of interest with the Company within the meaning of article 8.2 of these Terms of Reference. Such transaction, if approved, must be concluded on terms at least customary in the sector concerned. Furthermore, such transactions shall be published in the annual report, together with a statement of the conflict of interest and a declaration that these provisions and provision 8.3 of the Terms of Reference have been complied with.
- 8.2 A Board member shall in any event have a conflict of interest (“*conflict of interest*”) if:
- a) he/she has a material personal financial interest in a company with which the Company intends to enter into a transaction;
 - b) he/she has a family law relationship (*familierechtelijke verhouding*) with a person (i.e. his/her spouse, registered partner or other life companion, foster child or relative by blood or marriage up to the second degree as defined under Dutch law) and such person is a (management) board member of a company with which the Company intends to enter into a transaction;
 - c) he/she is a member of the management or supervisory board of, or holds similar office with, a company with which the Company intends to enter into a transaction;
 - d) under applicable law, including the rules of any exchange on which the Company’s shares (or depositary receipts thereof) may be listed, such conflict of interest exists or is deemed to exist;

- 8.3 Each Board member shall immediately report any potential conflict of interest concerning a Board member to the chairman of the Board and to the other Board members. A Board member with such (potential) conflict of interest must provide the chairman of the Board and the other Board members with all information relevant to the conflict, including information relating to persons with whom he/she has a family law relationship (*familierechtelijke verhouding*) (i.e. his/her spouse, registered partner or other life companion, foster child and relatives by blood or marriage up to the second degree as defined under Dutch law). In all circumstances other than the ones listed in article 8.2 under d) and e) of these Terms of Reference, the chairman of the Board will determine whether a reported (potential) conflict of interest qualifies as a conflict of interests to which article 8.1 of these Terms of Reference applies.
- 8.4 Members of the Board are bound to the existing and future insider trading regulations as well as to any regulations governing ownership of and transactions in securities by Board members, other than securities issued by their ‘own’ company, as drawn up by the Company. Such regulations and the Company’s insider trading regulations shall be posted on the Company’s website.

Article 9 Complaints, Whistleblowers Rules

- 9.1 The Board should be alert to indications of actual or suspected misconduct or irregularities. The Board should establish a procedure for reporting actual or suspicion of misconduct or irregularities, and take appropriate follow-up action on the basis of these reports.
- 9.2 The Board shall ensure that employees have the opportunity, without jeopardizing their legal position, to report (alleged) irregularities of a general, operational and financial nature within the Company to the chairman of the Board or to an officer designated for such purpose by him. The Board shall ensure that employees have the opportunity, without jeopardizing their legal position, to report (alleged) irregularities that relate to the functioning of the members of the Board to the chairman of the Board.
- 9.3 The arrangements for reporting (alleged) irregularities, as set forth in this article, are attached as Annex 9.3 (the so called “Whistleblower Rules”) and will be placed on the Company’s website.

Article 10 Relationship with the shareholders

- 10.1 The Board members shall attend the General Meeting, unless they are prevented from attending on serious grounds.

- 10.2 The Board shall provide the General Meeting with any information it may require, unless overriding interests (*zwaarwegende belangen*) of the Company or any law, rules or regulations applicable to the Company prevent it from doing so. The Board shall specify the reasons for invoking such important interests.
- 10.3 One or persons entitled to attend the General Meeting and representing solely or jointly at least one-hundredth of the issued capital or holding shares of the company which according to the official price list of the regulated market represent a value of at least fifty million euros (EUR 50,000,000), and a such entitled to exercise the right of putting an item on the agenda, may do so only after having consulted the Board about this. If such persons, intend to request that an item be put on the agenda that may result in a change in the Company's strategy, for example through the dismissal of one or more Board members, the Board shall be given the opportunity to stipulate a reasonable period in which to respond (the response time). The shareholder shall respect the response time stipulated by the Board.

Such a response time may not exceed 180 days from the moment the Board is informed by one or more shareholders of their intention to put an item on the agenda to the day of the General Meeting at which the item is to be dealt with. The Board shall use the response time for further deliberation and constructive consultation. The response time may be invoked only once for any given General Meeting and may not apply to an item in respect of which the response time has been previously invoked or meetings where a shareholder holds at least three quarters of the issued capital as a consequence of a successful public bid.

- 10.4 Meetings of the Board with analysts, presentations to analysts, presentations to investors and institutional investors and press conferences shall be announced in advance on the Company's website and by means of press releases. Provision shall be made for all shareholders to follow these meetings and presentations in real time. After the meetings, the presentations shall be made available on the Company's website.

Analysts' reports and valuations may not be assessed, commented upon or corrected, other than factually, by the Company in advance. The Company may not pay any fee(s) to parties for the carrying out of research for analysts' reports or for the production or publication of analysts' reports, with the exception of credit rating agencies.

Analysts meetings, presentations to institutional or other investors and direct discussions with the investors may not take place shortly before the publication of the regular financial information (quarterly, half-yearly or annual reports).

- 10.5 The Company shall place and update information which is relevant to the shareholders and which it is required to publish or deposit pursuant to the provisions of company law and securities law applicable to it, in a separate section of the Company's website.
- 10.6 The agenda of the General Meeting shall list which items are for discussion and which items are to be voted upon. The policy of the Company on additions to reserves and on dividends (the level and purpose of the addition to reserves, the amount of the dividend and the type of dividend) shall be dealt with and explained as a separate agenda item at the General Meeting.
- 10.7 A resolution for approval or authorisation to be passed by the General Meeting shall be explained in writing. In its explanation the Board shall deal with all facts and circumstances relevant to the approval or authorisation to be granted. The notes to the agenda shall be posted on the Company's website. Material amendments to the Articles and resolutions for the appointment of Board members shall be submitted separately to the General Meeting.
- 10.8 The report of the General Meeting shall be made available to the shareholders no later than three months after the end of the meeting, after which the shareholders shall have the opportunity to react to the report in the following three months. The report shall then be adopted in the manner provided for in the Articles.
- 10.9 The Company shall formulate an outline policy on bilateral contacts with the shareholders and publish this policy on its website.

Article 11 Confidentiality

11.1 Board members shall treat all information and documentation acquired within the framework of their position as a Board member with the necessary discretion and, in the case of classified information, with the appropriate secrecy. Classified information shall not be disclosed outside the Board, made public, or otherwise made available to third parties, even after resignation from the Board, unless it has been made public by the Company or it has been established that the information is already in the public domain.

Article 12 Non-compliance, amendment

12.1 The Board may occasionally decide at its sole discretion not to comply with and adhere to these Terms of Reference pursuant to a Board resolution to that effect, provided that such deviation is not prohibited by law or the Articles of Association of the Company. Such resolutions shall be referred to in the annual report.

- 12.2 These Terms of Reference may be amended by resolution of the Board to that effect. Such resolution shall be referred to in the Board's annual report.

Article 13 Governing law and jurisdiction

- 13.1 These Terms of Reference shall be governed by and construed in accordance with the law of the Netherlands.
- 13.2 The relevant court of the Netherlands having jurisdiction over the Company shall have exclusive jurisdiction to settle any dispute arising from or in connection with these Terms of Reference (including any dispute regarding the existence, validity or termination of these Terms of Reference).

28 August 2017

Board of Directors, MILKILAND N.V.