



## EXECUTIVE BOARD RULES

These rules (the "**Rules**") were amended and restated by the executive board (the "**Executive Board**") of Koninklijke FrieslandCampina N.V. (the "**Company**") and were approved by the Company's supervisory board (the "**Supervisory Board**") on 1 March 2013.

### **1 Status and contents of the Rules**

- 1.1** The Rules are issued pursuant to article 13, paragraph 1 of the Company's articles of association (the "**Articles of Association**") and complement any rules and regulations that apply from time to time to the Executive Board under Dutch law or the Articles of Association.
- 1.2** Where the Rules are inconsistent with the Articles of Association or Dutch law, the Articles of Association and Dutch law shall prevail. Where the Rules conform to the Articles of Association but are inconsistent with Dutch law, Dutch law shall prevail. If one or more provisions of the Rules are or become invalid, this shall not affect the validity of the remaining provisions. The Executive Board shall replace the invalid provisions by valid provisions. Where possible, the effect of those valid provisions shall, given the content and purpose of the Rules, be similar to those of the invalid provisions. In case of a lack of clarity or a difference of opinion about the meaning of any provision in these Rules, the CEO has a definite judgment.
- 1.3** The Rules have been drawn up taking into account the Dutch Corporate Governance Code (the "**Code**") as adopted by the Corporate Governance Code Monitoring Committee on 10 December 2008.
- 1.4** In its resolution of 11 May 2012 the Executive Board unanimously declared that:
  - (a) it will comply with and be bound by the obligations contained in the Rules to the extent that they apply to the Executive Board and its members;
  - (b) it will cause newly appointed members of the Executive Board to issue a declaration as referred to in subparagraph (a).
- 1.5** The Rules are published on the Company's website and can be downloaded on the Company's website.

## **2 Responsibilities of the Executive Board**

- 2.1** The members of the Executive Board shall be collectively responsible for the management of the Company, the general conduct of the Company's business, and the conduct of business in the group companies affiliated with the Company. The role of the Company is to act as "strategic holding". The Company and its group companies perform the business of Zuivelcoöperatie FrieslandCampina U.A.
- 2.2** The members of the Executive Board shall allocate their duties by mutual agreement, subject to the Supervisory Board's prior approval. If a member of the Executive Board is absent, his/her duties and powers shall be exercised by a member designated by the Executive Board. In the case of a long-term absence, the Supervisory Board shall be informed of the designation.
- 2.3** Each member of the Executive Board shall be accountable to the Executive Board for the performance of his/her duties and shall report to the Executive Board on a regular basis and in such a manner as to give the Executive Board – also having regard to its collective responsibility - a good understanding of that performance.
- 2.4** Each member of the Executive Board shall be entitled to obtain information from other Executive Board members and employees where he/she deems this useful or necessary, also having regard to his/her collective responsibility for the management of the Company. He/she must consult with the other members of the Executive Board if the implementation of his/her duties affects the implementation of their duties or if the significance of the matter requires such consultation.
- 2.5** In carrying out its duties, the Executive Board shall be guided by the Company's interests and its business. It shall take into account the relevant interests of all those involved in the Company (including the Company's shareholders). The Executive Board is responsible for the quality of its own performance.
- 2.6** The responsibilities of the Executive Board shall include:
- (a) realisation of the Company's objectives;
  - (b) determining the Company's strategy and the corresponding risk profile, and the policy designed to realise the objectives;
  - (c) the general conduct of business in the Company and the results of the Company;
  - (d) assessing and execute the risks connected with the Company's business activities;
  - (e) considering the social responsibility issues that are relevant to the Company;
  - (f) ensuring that sound internal risk management and control systems are in place and reporting on this in the annual accounts;
  - (g) maintaining and preparing the financial reporting process, which includes safeguarding the quality and completeness of the financial statements to be made public;

- (h) complying with laws and regulations;
- (i) complying with the Code, maintaining the Company's corporate governance structure, and accounting for this;
- (j) publishing - by way of the annual report, the Company's website or otherwise – the Company's corporate governance structure, the Executive Board's explanation of its compliance with the Code, and any other information required by the Code;
- (k) safeguarding the quality and completeness of published financial statements;
- (l) preparing the annual accounts and drawing up the annual budget and important capital investments of the Company;
- (m) rendering advice in connection with the nomination of the Company's external auditor;
- (n) yearly reporting to the Supervisory Board on the developments in the relationship with the external auditor, in particular about his independence;
- (o) once every four years, together with the Audit Committee, thoroughly assessing the performance of the external auditor with regard to various entities and the various functions in which the external auditor operates and informing the Supervisory Board and the general meeting of shareholders about the most important conclusions for the purpose of the nomination for appointment of the external auditor.

**2.7** The Company shall in any event employ as instruments of the internal risk management and control system:

- (a) risk analyses of the operational and financial objectives of the Company;
- (b) a code of conduct to 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.

**2.8** Each year the Executive Board shall draw up a policy plan for the Company and the group companies, including:

- (a) the budget for the next year;
- (b) the estimated liquidity of the Company;
- (c) the estimated solvability of the Company;
- (d) the estimated capital of the Company,

and submits these documents ultimately before the fifteenth day of December to the Supervisory Board. Furthermore, every year the Executive Board shall draw up Long Range Plans, for a period of three years.

The Executive Board shall be responsible, subject to the Supervisory Board's supervision, for introducing and maintaining internal procedures to ensure that the Executive Board is aware of all important financial information, so as to safeguard timely, complete and accurate external financial reporting. For that purpose, the

Executive Board shall ensure that the financial information originating from group companies is directly reported to it and that the integrity of the information is not affected.

**2.9** At the end of each financial year the Executive Board shall prepare and publish a report on its performance and activities during that financial year. The report shall at least include the information required by law and by the Code.

**2.10** The Executive Board shall include in the annual report:

- (a) a description of the main risks related to the Company's strategy;
- (b) a description of the design and effectiveness of the internal risk management and control systems for the main risks during the financial year;
- (c) 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 and the Supervisory Board; and
- (d) a report on the sensitivity of the Company's results in relation to external circumstances and variables.

In addition, the Executive Board shall state in respect of financial reporting risks 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. The Executive Board shall provide clear substantiation of this.

**2.11** The Executive Board shall submit to the Supervisory Board for its approval:

- (a) the operational and financial objectives of the Company;
  - (b) the strategy designed to achieve the objectives;
  - (c) the parameters to be applied in relation to the strategy, for example in respect of the financial ratios; and
  - (d) the corporate social responsibility issues that are relevant to the enterprise.
- The main elements of these items shall be mentioned in the annual report.

### **3 Composition, expertise and independence of the Executive Board**

**3.1** The Company is a large company in the meaning of article 2:154 Dutch Civil Code and the structure regime (*structuurregime*) is applicable to the Company. The members are appointed by the Supervisory Board, with due observance of article 2:162 Dutch Civil Code. The Executive Board shall have at least two members. The Supervisory Board determines the number of members. Per 31 December 2011 the Executive Board consists of the following members:

- (i) a chief executive officer (CEO), who is the chairman of the Executive Board;
- (ii) a chief financial officer (CFO), who's special duties and internal responsibilities concern the financial matters of the Company; and
- (iii) the business group chief operating officers (COO's), who's special duties and internal responsibilities concern the operational business of the business group which is assigned to them.

The Executive Board may divide the tasks among the members of the Executive Board. The division of tasks requires the approval of the Supervisory Board.

**3.2** In carrying out its duties, the Executive Board shall be independent from instructions of third parties outside the Company.

**3.3** A member of the Executive Board may not:

- (a) enter into competition with the Company;
- (b) demand or accept (substantial) gifts from the Company for him/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;
- (c) provide unjustified advantages to third parties to the detriment of the Company; and
- (d) take advantage of business opportunities to which the Company is entitled for him/herself or his/her spouse, registered partner or other life companion, foster child or relative by blood or marriage up to the second degree.

## **4 CEO of the Executive Board**

**4.1** In addition to the coordination of the policy of the Executive Board, the CEO shall also be responsible for:

- (a) ensuring that the Executive Board is functioning effectively;
- (b) ensuring that the budgets and policy plans are drawn up in a timely manner;
- (c) supporting the other members of the Executive Board and mediating in any differences of opinion between those members;
- (d) ensuring that there is ample time for consultation, discussion, and the other aspects of preparing resolutions at, and reporting of the meetings, of the Executive Board, and supervising the implementation of resolutions of the Executive Board;
- (e) drawing up the draft annual accounts and corresponding annual report and the six-monthly and quarterly figures, and sending these documents to the Supervisory Board;
- (f) chairing the meetings of the Executive Board;

- (g) ensuring that information to the members of the Executive Board and its individual members, as necessary for the proper fulfilment of their duties, is submitted in a timely and adequate manner;
- (h) maintaining intensive and frequent contacts with the Supervisory Board and in particular the chairman of the Supervisory Board, and providing the other members of the Supervisory Board with timely and adequate information about the outcome of those contacts where relevant;
- (i) ensuring that information to the members of the Supervisory Board and its individual members, as necessary for the proper fulfilment of their duties, is submitted in a timely and adequate manner;
- (j) cooperating in the annual assessment of the performance the Executive Board and its members by the Supervisory Board;
- (k) representing the Company internally and externally.

## **5 Appointment, term and resignation**

- 5.1** Members of the Executive Board shall be appointed by the Supervisory Board, taking in consideration the Articles of Association.
- 5.2** Members of the Executive Board shall be appointed for an indefinite term. Management positions at group companies of the Company shall be deemed to arise from the position as member of the Executive Board and shall accordingly be subject to the provisions of the Rules.
- 5.3** An Executive Board Member must acquire approval from the CEO and subsequently the Supervisory Board before putting him/herself forward as a candidate for a position at a non-group company (“nevenfunctie”) for which he will receive remuneration. Each Executive Board member will submit a list of all positions held at non-group companies (both with and without remuneration) to the Remuneration and Appointment Committee (“Remuneratie en Benoemingscommissie”) on an annual basis. The position must not be in conflict with the Company’s interests.
- 5.4** An Executive Board Member may not be a member of the supervisory board of more than one other Large Company (see below) that does not form part of the Company's group. Nor may a Board member be the chairman of the supervisory board, the supervisory body established by the articles of association, or, in the case of a one-tier board, the board of a listed company or a Large Company.

Supervisory positions held in foreign (i.e. non Dutch) entities will not be taken into account when determining whether a director has reached the permitted maximum.

A Large Company is an NV, BV or foundation that does not form part of the Company's group and which at the end of the financial year meets at least two of the following criteria:

- (a) the value of its assets according to the balance sheet with explanatory notes, on the basis of acquisition and manufacturing costs, exceeds EUR 17.5 million;
  - (b) net turnover exceeds EUR 35 million; or
  - (c) the average number of employees is 250 or more,
- provided that a foundation shall only qualify as a Large Company if it is by law required to prepare financial accounts which are identical or similar to the annual accounts referred to in title 9 of book 2 of the Dutch civil code.

## **6 Remuneration**

- 6.1** The remuneration of the members of the Executive Board shall be determined by the Supervisory Board in accordance with the Company's remuneration policy as adopted by the general meeting of shareholders (the "**General Meeting**").
- 6.2** The Company shall not grant to Executive Board members any personal loans, guarantees or similar facilities, unless this is done in the normal course of business, on terms applicable to all employees, and with the Supervisory Board's approval. Loans shall not be waived.
- 6.3** None of the members of the Executive Board shall hold or execute transactions in securities issued by entities other than the Company unless this is in accordance with the Company's rules on ownership of and transactions in securities for members of the Executive Board and the Supervisory Board. The previous sentence does not apply if a member of the Executive Board holds such securities for investment in listed investment funds, or, in case of investment in other funds, only if he/she has entrusted an independent third party with the management of his/her securities portfolio pursuant to a written agency agreement.
- 6.4** If a variable remuneration component conditionally awarded to an Executive Board member in a previous financial year were, in the Supervisory Board's opinion, to produce an unfair result due to extraordinary circumstances during the period in which the predetermined performance criteria have been or should have been achieved, the Supervisory Board shall have the power to adjust the value downwards or upwards.
- 6.5** If variable remuneration has been awarded to an Executive Board member on the basis of incorrect financial or other data, the Supervisory Board shall have the power to recover that remuneration from the Executive Board member.]

## **7 Executive Board meetings (agenda, teleconferencing, attendance, minutes) and resolutions**

- 7.1** The Executive Board meetings shall be held whenever one or more of its members or the Supervisory Board has requested a meeting. Each member of the Executive Board must be granted the opportunity to participate in the consultations of the Executive Board. Executive Board meetings shall generally be held at the offices of

the Company, but may also take place elsewhere. In addition, meetings may be held by telephone or videoconference provided that all participants can hear each other simultaneously.

- 7.2** The CEO of the Executive Board, or the CFO in his absence, shall chair the meeting. If both the CEO and the CFO are absent, the meeting shall appoint a chairman.
- 7.3** Meetings shall be convened in a timely manner by the CEO. Every other member of the Executive Board may request that the chairman convene a meeting.
- 7.4** The CEO shall set the agenda for each meeting. Every other member of the Executive Board may submit agenda items to the chairman of the Executive Board for discussion at the meeting. An item to be discussed which has not been submitted on time or is insufficiently supported by documents, shall not be placed on the agenda.
- 7.5** At the request of any member of the Executive Board, urgent matters may be dealt with immediately or at an extra meeting, provided that the majority of the other members agree.
- 7.6** The members of the Executive Board must attend the Executive Board meetings. If they are unable to attend and the minutes of the meeting require an explanation, the chairman of the meeting shall inform them of the resolutions passed and discussions held at the meeting.
- 7.7** The Executive Board may only validly adopt resolutions at meetings at which at least the majority of the members is present or represented. Each member of the Executive Board is entitled to cast one vote. The Executive Board may adopt resolutions by absolute majority, unless otherwise determined by the Articles of Association or these Rules.
- 7.8** The Executive Board may also adopt resolutions outside a meeting, provided that all members have been consulted and none of them has opposed to this manner of decision making and all have expressed that they are in favour of the proposal. Votes may be cast by all means of telecommunication, including by email. Each member of the Executive Board is authorized to grant another member of the Executive Board a power of attorney to vote on his behalf concerning a specific and foreseeable situation and to speak on his behalf concerning those subjects.
- 7.9** The CEO has a veto right with regard to matters which in the opinion of the CEO conflict with the justified interest of the Company. Matters where the veto right has been used will be reported to the Chairman of the Supervisory Board as soon as reasonably practicable.
- 7.10** If there is insufficient agreement on certain matters during the meeting, the CEO may defer these matters for further discussion.

- 7.11** The minutes of the Executive Board meetings shall be adopted in the next meeting. Adopted minutes shall serve as evidence of the matters discussed.
- 7.12** Supervisory Board approval shall be required for all resolutions or proposals of the Executive Board as referred to in articles 3 section 4; 4 section 1, 5 section 3; 6 section 3; 7 section 2, 13 sections 1 and 4; 27 sections 1 and 2, 29 sections 1; 3, 4 and 6 and 30 section 1 of the Articles of Association. Approval of the General Meeting shall be required for resolutions as referred to in article 13 section 5 of the Articles of Association.
- 7.13** The Executive Board is assisted by the secretary of the Company, who is appointed by the Executive Board upon approval of the Supervisory Board. The secretary of the Company can be removed from his/her office by the Executive Board after the approval of the Supervisory Board. All members of the Executive Board have access to advice of and services granted by the secretary of the Company. The secretary of the Company assists the CEO with the organization of matters concerning the Executive Board, such as e.g. the preparation of meetings, the minutes of meetings and the providing of information. The secretary of the Company is as such secretary of the Executive Board.
- 7.14** The Executive Board shall communicate adopted resolutions in a uniform way.

## **8 Conflict of interest**

- 8.1** An Executive Board Member shall not participate in the discussions and have no voting rights 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 or in relation to which he/she has a direct or indirect personal interest that conflicts with the interests of the Company ("**Conflict of Interest**"). A transaction as referred to above must be concluded on terms at least customary in the sector concerned and must be approved by the Supervisory Board. If the Executive Board is unable to adopt a resolution as a result of this, the resolution shall be adopted by the Supervisory Board.
- 8.2** A member of the Executive Board shall in any event have a Conflict of Interest if:
- (a) he/she has a material personal financial interest in an entity that the Company intends to enter into a transaction with;
  - (b) he/she is the spouse, registered partner or other life companion, foster child or relative by blood or marriage up to the second degree of a member of the Executive board of an entity that the Company intends to enter into a transaction with;
  - (c) he/she holds a management or supervisory position in an entity that the Company intends to enter into a transaction with;
  - (d) such a conflict of interest exists or is deemed to exist under applicable law, including the rules of any exchange on which the Company's shares (or depositary receipts therefor) are listed;

(e) the chairman of the Supervisory Board has ruled that such conflict of interest exists or is deemed to exist.

**8.3** Each member of the Executive Board shall immediately report any (potential) Conflict of Interest to the chairman of the Supervisory Board and the other members of the Executive Board. Each member of the Executive Board with a (potential) Conflict of Interest must provide all information relevant thereto to the chairman of the Supervisory Board and the other members of the Executive Board, including the information concerning the persons with whom he/she has a family law relationship. In all circumstances other than those listed in article 8.2 subparagraphs (d) and (e) the chairman of the Supervisory Board shall determine whether a reported (potential) conflict of interest qualifies as a Conflict of Interest to which article 8.1 applies.

**8.4** The chairman of the Supervisory Board shall ensure that transactions as referred to in this article 8 are mentioned in the Executive Board's annual report, specifying the Conflict of Interest and stating that articles 8.1 and 8.3 have been complied with.

## **9 Complaints, notification of irregularities**

**9.1** The Executive Board shall ensure that complaints received by the Company with regard to the financial reporting, the internal risk management and control systems and the internal and external audit are recorded and dealt with.

**9.2** The Executive Board shall ensure that employees of the Company have the opportunity, without jeopardising their legal position, to report alleged irregularities within the Company of a general, operational and financial nature to the chairman of the Executive Board or to an officer designated by him/her, or, if it concerns the performance of members of the Executive Board, to the chairman of the Supervisory Board.

## **10 Information, relationship with the Supervisory Board**

**10.1** The Executive Board shall perform its duties under the supervision of the Supervisory Board and renders account for his performance to the Supervisory Board.

**10.2** The Executive Board shall provide the Supervisory Board with timely, and where possible, written, information on all facts and developments concerning the Company which the Supervisory Board may need to carry out its duties.

The Executive Board shall provide the Supervisory Board on a quarterly basis with a report prepared in a format as agreed from time to time and setting out detailed information on matters such as finance, marketing, investments and staff. This periodic report shall be accompanied by a letter from the Executive Board

containing an explanation of, and comments on, the report as well as information concerning the Management Board's policies.

## **11 Relationship with the general meeting of shareholders**

- 11.1** The members of the Executive Board shall attend general meetings of shareholders, unless they are prevented from attending on valid grounds or the General Meeting has indicated that it wishes to meet without the presence of the Executive Board or one of its members. The Executive Board shall render account for his performance to the General Meeting.
- 11.2** The Executive Board and the Supervisory Board shall be responsible for the corporate governance structure of the Company and shall render account for the structure to the General Meeting and explain any deviations from the Code. The annual report shall give a broad outline of the Company's corporate governance structure in a separate chapter of the annual accounts. That chapter shall also specify where the best practice provisions of the Code were followed. If best practice provisions have been deviated from, the chapter shall specify to what extent and for what reason.

Accounting for compliance with the Code shall be part of rendering account for the annual report.

Each significant change in the Company's corporate governance structure or compliance with the Code shall be addressed in a separate item on the agenda for consideration by the General Meeting.

## **12 Relationship with the works council**

Proposals of the Executive Board requiring prior approval by the Supervisory Board and advice by the (central) works council shall first be submitted to the Supervisory Board for its approval. If granted, this approval shall be given subject to positive or neutral advice by the (central) works council.

## **13 Confidentiality**

Each member of the Executive Board shall treat all information and documentation obtained in connection with his/her position as member of the Executive Board with the necessary discretion, integrity, and, in the case of classified information, with the appropriate confidentiality. Members and former members of the Executive Board shall refrain from disclosing confidential information outside the Executive Board or the Supervisory Board, or making it public, or otherwise making it available to third parties, unless the information has been made public by the Company or it has been established that the information is already in the public domain.

## **14 Decision to render Rules inoperative, amendment**

- 14.1** Without prejudice to the provisions of article 1.2, the Executive Board may, with the Supervisory Board's approval, occasionally resolve at its sole discretion not to comply with the Rules.
- 14.2** Without prejudice to the provisions of article 1.2, the Rules may be amended by a resolution of the Executive Board subject to the Supervisory Board's prior approval. Such resolutions shall be mentioned in the Executive Board's annual report.

## **15 Governing law and jurisdiction**

The Rules shall be governed by and construed in accordance with the law of the Netherlands.