

Corporate Governance

Neways sets store by good corporate governance. The Board of Directors and the Supervisory Board are responsible for the corporate governance structure. Neways endorses the importance of an appropriate balance between the interests of its various stakeholders that is the foundation for the corporate policy.

General

Corporate governance is the structure and system of rules and procedures on the basis of which a company is managed and monitored.

Neways (Neways Electronics International NV) is a two-tier board company under Dutch law. Neways does not use any anti-takeover or control mechanisms in the form of a trust office or the issuance of depositary receipts for shares. Our corporate governance structure is based on Book 2 of the Netherlands Civil Code, the articles of association and the Dutch Corporate Governance Code. All associated relevant regulations and reports are available on the corporate website. The governance structure is periodically evaluated.

Corporate Governance statement

The corporate governance statement is a statement in accordance with Section 2a of the Dutch Decree Adopting Further Rules on the Contents of Annual Reports (Vaststellingsbesluit nadere voorschriften inhoud jaarverslag) ('the Decree'). For announcements in this statement within the meaning of Sections 3, 3a and 3b of the Decree, reference is made to the relevant passages in this annual report and the following is discussed:

- compliance with the Code's principles and best practice provisions (page 39);
- the principal features of the management and control system for the Group's financial reporting process, described in 'Risks and risk management (page 46);
- the performance of the shareholders' meeting and its principal powers, and shareholder rights and how they can be exercised (page 43 'General Meeting of Shareholders');
- The composition and performance of the Board of Directors (page 41 'Board of Directors');
- the composition and the performance of the Supervisory Board (page 42 'Supervisory Board' and page 54 'Report of the Supervisory Board');
- the rules for appointing and replacing members of the Board of Directors and the Supervisory Board (page 43 'Powers');

- the rules for amending the company's articles of association (page 43 'Powers');
- the powers of the Board of Directors relating to the possibility of issuing or repurchasing shares (page 43 'Powers');
- related-party transactions (note 22 to the Financial statements 'Information about related parties').

Compliance with the Dutch Corporate Governance Code

The revised Corporate Governance Code was published on 8 December 2016. Where necessary, we adapted our procedures and regulations in 2017. We comply with the principles and provisions as formulated in the updated Code where possible and relevant. The following is stated with regard to two specific best practice provisions in the Code:

Best practice 2.7.4

No transactions were conducted during the 2017 financial year that involved conflicts of interest of members of the Board of Directors or the Supervisory Board.

Best practice 2.7.5

All transactions between Neways and natural persons or legal entities holding ten percent or more of the shares in Neways were subject to contractual terms that are commonly applied in the sector.

Departures from the Dutch Corporate Governance Code

Owing to size of the Group we consider it to be in the interests of the company to depart from the best practice provisions in some respects, as described below on the basis of the 'comply or explain' principle:

- Members of the Board of Directors are appointed for open-ended periods. Periodic appointment as prescribed in the Code entails a risk for the implementation of the corporate policy, which is of a long-term nature (best practice 2.2.1).
- The term of office for members of the Supervisory Board is not subject to any maximum time limit. Neways believes that the Supervisory Board members' experience and their knowledge of the Group should dictate how long they stay in office. After each four-year term, and based on careful consideration, Supervisory Board members may be reappointed for a further four years (best practice 2.2.2).

- Prospective members of the Board of Directors and the Supervisory Board are selected with a view to a mixed composition in terms of age, experience, expertise, personality, gender and social background. At present the Board of Directors and the Supervisory Board lack diversity in terms of both male and female representation. However, diversity within Neways as a whole and among the various management teams is increasing. Neways has not defined a formal diversity policy (best practice 2.1.5 and 2.1.6).
- New members who are put forward for the Supervisory Board and the Board of Directors are selected based on experience, expertise and personality.
- No specific committees have been formed within the Supervisory Board (best practice 2.3.2). The role of the Audit committee is filled by the full Supervisory Board.
- Neways does not have any written regulations governing the possession of and transactions in securities in other listed companies by members of the Board of Directors and the Supervisory Board, as this is seen as the personal responsibility of the relevant members of the Board of Directors and the Supervisory Board (best practice 2.7.2). This situation is evaluated on an annual basis and changes will be made if necessary. The evaluation will also cover how and when the company will incorporate these rules in regulations.
- Upon publication of the interim and full-year results, Neways organises a meeting for analysts and financial media at which the Board of Directors discusses the results. These meetings are well-attended and well-received. In view of this positive reception, Neways decided that a meeting is preferable to a webcast (best practice 4.2.3). The presentations given by the Board of Directors are however available on the corporate website.

Internal audit function

A separate internal audit function was created with effect from 1 January 2017. The purpose of the internal audit function is to review and if necessary further strengthen the design and operating effectiveness of the internal risk management and control systems. The internal audit function can provide the Board of Directors with an objective assessment of the quality of and compliance with improvements implemented and standardisation of the business processes, thus making adjustments possible when and where necessary. Within Neways, the official charged with responsibility for internal audit contributes as an active adviser to improving the design of control systems by means of recommendations. The audit function has an independent position in the organisation and an open, direct line to the Supervisory Board.

Code of conduct

Neways has adopted an internal code of conduct. In representing Neways, employees are expected to perform their duties in accordance with the guidelines, standards and values as formulated in this document and within the frameworks prescribed by the law and other official provisions. The code of conduct is available on the corporate website.

Whistleblower policy

At Neways we set great store by an open, honest culture. Such a culture reduces the likelihood of abuses and irregularities. Remaining alert to indications remains important however. A whistleblower policy became effective as of 1 December 2016 to permit safe, systematic reporting of suspected abuses and irregularities. This facilitates reporting of irregularities by means of a clear and formal procedure. The whistleblower policy is based on the principle that any suspicion of an irregularity needs to be examined internally first with a view to eliminating the irregularity. Only if that is not possible or fails to lead to an improvement will an irregularity be reported externally.

Board of Directors

Duties

The Board of Directors of Neways consists of three members and is responsible for the strategy, central management and the performance of the Group. The members of the Board of Directors work closely with each other and alternating members of the Board of Directors visit the operating companies every two months. The Board of Directors receives detailed weekly and monthly progress reports. The Board of Directors is also responsible for compliance with all relevant laws and regulations and the effectiveness of the internal risk management and control system. The Board of Directors performs these duties under the supervision of the Supervisory Board. The Board of Directors provides all information sufficiently far in advance and provides whatever resources are necessary for the Supervisory Board to properly carry out its supervision duties. In performing its duties, the Board of Directors continually weighs up the interests of all its stakeholders in order to achieve the ambitions of Neways and the aim of long-term value creation. The Board of Directors evaluates its own performance on an annual basis, looking at both individual performance and performance of the Board of Directors as a whole.

Appointment

Members of the Board of Directors are appointed by the Supervisory Board for an open-ended period. The General Meeting of Shareholders is notified of all planned appointments. Members of the Board of Directors are not permitted to serve on more than two supervisory boards, nor may they be chairman of the supervisory board at any other company. For more information on the composition and relevant positions outside the group of the members of the Supervisory Board in 2017 see the section 'The Supervisory Board, the Board of Directors and the management team' in this annual report (page 36).

Suspension and dismissal

The Supervisory Board periodically reviews the performance of the members of the Board of Directors. The Supervisory Board has the authority to suspend or dismiss members of the Board of Directors. Members of the Board of Directors cannot be dismissed by the General Meeting of Shareholders directly.

Remuneration policy

Neways has a remuneration policy that is aimed at maximising long-term value creation for shareholders. The General Meeting of Shareholders approved the new remuneration policy in 2017; its text is also available on the corporate website.

Information on the remuneration of members of the Board of Directors in 2017 is disclosed in Note 22 to the financial statements.

Supervisory Board

Independence

The Supervisory Board is a body that operates independently of the Board of Directors. The members of the Supervisory Board are independent within the meaning of the Dutch Corporate Governance Code, are not part of the management of the Group, nor may they be employees of the company.

Duties

The Supervisory Board supervises the policies pursued by and the performance of the Board of Directors. The Supervisory Board also acts as an advisory body to the Board of Directors. For the purposes of fulfilling this duty, the Supervisory Board focuses on the interests of the company and weighs the relevant interests of relevant stakeholders, based on the basic principles of responsible entrepreneurship.

The Supervisory Board and its individual members perform their supervisory and advisory duties on the basis of the extensive information provided by the Board of Directors that is necessary for that purpose. The Supervisory Board also requests information from other company officers, external advisers of Neways and, if considered necessary, the Supervisory Board's own advisers. Neways provides the necessary resources for this.

Appointment

Members of the Supervisory Board are appointed and reappointed by the General Meeting of Shareholders for terms of four years. For each new appointment, the Supervisory Board has a right of nomination based on the profile that it has drawn up for the Supervisory Board that is available on the corporate website. The central works council (Centraal Overleg Neways, CON) has a right of recommendation that carries extra weight for one third of the membership of the Supervisory Board. The Supervisory Board may adopt the CON's recommendation.

The Supervisory Board appoints a chair and a vice chair. The chair may not have previously served on the Board of Directors of Neways. Given the Group's size, no formal introduction programme is in place for members of the Supervisory Board. For more information

on the composition and relevant positions outside the Group of the members of the Supervisory Board in 2017 see the section 'The Supervisory Board, the Board of Directors and the management team' in this annual report (page 36).

Suspension and dismissal

The General Meeting of Shareholders has the authority to dismiss the entire Supervisory Board. Individual members of the Supervisory Board cannot be dismissed by the General Meeting of Shareholders directly.

Remuneration policy

Upon a proposal of the Supervisory Board, the General Meeting of Shareholders may award the members of the Supervisory Board a remuneration. The remuneration is not linked to the company's results. See Note 22 to the financial statements for more information about the remuneration of the Supervisory Board in 2017.

General Meeting of Shareholders

A General Meeting of Shareholders is held at least once annually and is chaired by the chair of the Supervisory Board. Minutes are drawn up of the General Meeting of Shareholders that are made available on the corporate website.

Decision-making process

All resolutions are passed in accordance with the principle of 'one share, one vote'. Shareholders – individually or with a combined interest of at least 1% of the issued share capital – are entitled to ask the Board of Directors or the Supervisory Board to place a particular topic on the agenda. Such requests will be granted if they are made in writing and at least sixty days before the date of the General Meeting of Shareholders.

Important Board resolutions that entail a change in the Group's identity or character require the approval of the General Meeting of Shareholders; at the minimum, this includes resolutions to transfer the entire business, or virtually the entire business, to form or terminate lasting alliances or to acquire or dispose of participating interests representing a value of one third of the consolidated balance sheet total or more.

The policy for profit appropriation and dividends, and the proposed dividend, are presented to the shareholders separately, as are substantial changes to the corporate governance policy, including changes to the remuneration policy for the Board of Directors.

Extraordinary General Meeting of Shareholders

Extraordinary General Meetings are held if prescribed or if the Supervisory Board or the Board of Directors considers this to be desirable or if shareholders – representing at least 10% of the issued capital – submit a request for a general meeting in writing, stating the topics to be considered, to the Supervisory Board and the Board of Directors.

Powers

The General Meeting of Shareholders has the following regular powers:

- Adopting the financial statements;
- Discharging the Board of Directors from liability for its policies during the past year;

- Discharging the Supervisory Board from liability for its supervision of the policies during the past year;
- Adopting the profit appropriation/dividend distribution;
- Approving resolutions by the Board of Directors for significant changes to the Group's identity or character;
- Adopting significant changes to the company's corporate governance policy;
- Appointing members of the Supervisory Board;
- Dismissing the entire Supervisory Board;
- Establishing the remuneration policy for the Board of Directors;
- Establishing the remuneration of the individual members of the Supervisory Board;
- Deciding on issuances of shares, granting rights to purchase shares (option rights) or to designate the Board of Directors to make such decisions for a specific period of time, where applicable to the exclusion of shareholders' pre-emptive rights;
- Appointing the external auditor;
- Passing resolutions to amend the Articles of Association based on proposals by the Board of Directors;
- Authorising the Board of Directors to repurchase shares in the company's capital.

The agenda and the notes for the Annual General Meeting of Shareholders to be held on 20 April 2018 have been placed on the Neways corporate website.