(Non-binding translation)

Balta Group NV
Wakkensteenweg 2
B-8710 Wielsbeke
Company number: 0671.974.626

(the **"Company")**

ANNUAL REPORT OF THE BOARD OF DIRECTORS
TO THE SHAREHOLDERS' MEETING OF 26 MAY 2021

Dear shareholders,

In accordance with legal and statutory Belgian regulations, we have the honour to present the annual report of the financial year 2020.

The Company is an holding company whose corporate purpose is the direct or indirect acquisition of shares and the management of the participating interests in Belgium and foreign countries. The Companies' shares are publicly traded. The Company was founded for an indefinite period on 1 March 2017.

1. Comments to the annual accounts

Article 3:6, §1, 1° of the Belgian Code of Companies and Associations ("Belgian Companies Code" or "BCCA") determines the annual report gives information about the annual accounts to provide a true and fair view of the financial position and operations of the Company.

	€
The balance sheet total is:	471,987,751.43
The financial result for the period available for distribution:	126,381.99

The financial fixed assets amount to €468,927,446.90, which is 99% of the balance sheet total.

The Equity at 31 December 2020 is composed as follows:

	2020 (€ thousands)	2019 (€ thousands)	In- or decrease (€ thousands)
Issued capital:	260,590	260,590	0
Share premium account:	65,660	65,660	0
Available reserves:	147,125	147,125	0
Accumulated loss:	-1,923	-2,049	126
Equity:	471,452	471,325	126

The Equity represents 99% of the balance sheet total.

In the schedule below, you can find an overview of the income and charges for the financial year 2020.

	2020 (€ thousands)	2019 (€ thousands)	In- or decrease (€ thousands)
Operating income incl. non-recurring operating income:	1.951	2.998	(1.046)
Operating charges incl. non-recurring charges:	1.824	2.907	(1.084)
Operating profit:	128	**91**	**37**
Financial income incl. non-recurring financial income:	1	-	1
Financial charges incl. non recurring financial charges:	2	2	-
Profit for the period before taxes:	127	**89**	**38**
Transfer from/to postponed taxes:	-	-	-
Income taxes:	0	0	0
Profit for the period:	126	**89**	**38**
Transfer from/to untaxed reserves:	-	-	-
Profit for the period available for apporpriation:	126	**89**	**38**

The Board proposes to appropriate the profit as follows:

Gain (loss) to be appropriated	126,381.99	EUR
Profit (loss) to be carried forward	(2,049,038.13)	EUR
Profit (loss) to be appropriated	(1,922,656.14)	EUR
Appropriation of profit (loss)		
Transfers to reserves	-	EUR
Profit (loss) to be carried forward	(1,922,656.14)	EUR
Transfers to capital	-	EUR

We ask you to approve the annual accounts for the year ended 31 December 2020.

2. Reporting and analysis in accordance with article 3:6, §1, 1° of the Belgian Companies Code

In accordance with article 3:6, §1, 1° of the Belgian Companies Code, the following is reported:

The Company itself is not exposed to any operational risks other than those which exist for the Balta Group because the main activity of the Company is to provide services to the Balta Group. We refer to section 7 of this report for an overview of the risks which are defined within the Balta Group.

3. Information concerning significant events after the year-end

In accordance with article 3:6, §1, 2° of the Belgian Companies Code the annual report contains information about significant events which have occurred after the year-end.

Balta Group announced on 2 February 2021 that it has entered into an agreement with noteholders representing c. 52% of the aggregate principal amount of the 7.75% Senior Secured Notes due 2022 (the “Existing Notes”) issued by LSF9 Balta Issuer S.à r.l (the “Issuer”), to tender their Existing Notes in an exchange offer (the “Exchange Offer”) for new Senior Secured Notes with a maturity of 31 December 2024 (the “New Notes”), to vote in favour of certain amendments to the terms of the Existing Notes and the indenture governing the Existing Notes (the “Existing Indenture”) by way of a consent solicitation (“Consent Solicitation”) and to support commencement of a scheme of arrangement under Part 26 of the UK Companies Act 2006 or an analogous legal process in the United Kingdom (the “Scheme”) (the “Scheme Solicitation”).

On 3 March 2021 Balta Group was pleased to announce that it has received sufficient support for the “Exchange Offer” to implement it without the need to apply a scheme of arrangement. Eligible holders of the “Existing Notes” had validly tendered (and not validly withdrawn) €233,061,300 in aggregate principal amount (representing 99.22%)) to exchange their Existing Notes for new Senior Secured Notes with a maturity of 31 December, 2024 (the “New Notes”) or cash and to vote in favour of certain amendments to the terms of the Existing Notes and the Existing Indenture by way of the Consent Solicitation. As a result, the €61m European Super Senior Revolving Credit Facility further extended to 30 June 2024.

On 22 February 2021, S&P revised the Company’s outlook from negative to positive after Balta successfully managed to extend the maturity dates of it Senior Secured Notes and the European Senior Secured Revolving Credit Facility to 2024.

COVID-19 STATEMENT

Following a strong start in the first two months of 2020, the disruptive impact of COVID-19 began in March 2020. Balta took swift and decisive measures to protect its employees and other stakeholders, to reduce its operating costs and to manage its cash flows. In the second quarter, 6 of our 8 plants were temporarily shut down on a voluntary basis to manage costs, senior staff took voluntary reductions in pay, the vast majority of staff were put into temporary unemployment programmes and all non-essential expenditure was deferred. Despite the voluntary closures, we retained the flexibility to resume partial production at our facilities to satisfy demand and service customer orders. As a precautionary measure, to address our short term liquidity and working capital needs, revolving credit facilities were fully drawn and covenants renegotiated. In Q1 2021, we saw Q4 2020 trends broadly continue and we have a solid order book. We remain vigilant as new pandemic restrictions have been imposed in most of our markets and together with other market distortions, such as capacity constraints of raw material supplies and freight congestion, are leading to cost increases.

The current crisis has and will continue to impact our working capital. We are closely monitoring our daily cash flows. To further protect our liquidity position, we are still reducing our marketing costs as well as samples and other capital expenditure. Additionally, we are closely monitoring our accounts receivable and accounts payable to manage our cash inflows and outflows. Nevertheless, we were able to repay during Q4 2020 half of the outstanding amount of the $18.0m Revolving Credit Facility leaving us with a further € 7.4m headroom to draw under the US Revolving Credit Facility. We have also assumed that our customers will continue to pay according to invoice terms (which was the case in 2020 and so far in 2021). Based on these assumptions and based on the currently available information and forecasts in combination with the extension of our Senior Secured Notes as discussed above, the Group currently believes that it will be able to meet its liabilities and commitments as they fall due across the applicable forecast period and has determined that the going concern basis remains the appropriate basis of preparation for its financial statements.

4. *Circumstances that could have a significant effect on the development of the Company*

In accordance with article 3:6, §1, 3° of the Belgian Companies Code, the annual report contains information on circumstances that could have a significant effect on the development of the Company insofar as this information or circumstances does not harm the Company.

No risks other than the risks associated with the activities of the Company and relating to the activities described above should be mentioned.

5. *Research and development*

In accordance with article 3:6, §1, 4° of the Belgian Companies Code the annual report contains information of the activities of research and development.

No research and development activities have been executed.

6. *Corporate governance statement*

This chapter provides information on Balta Group NV's (hereinafter also referred to as "Balta" or "the Company") corporate governance.

CORPORATE GOVERNANCE CHARTER

Pursuant to article 3:6 § 2, 1° of the Belgian Code of Companies and Associations ("Belgian Code on Companies and Associations" or "BCCA"), Balta relies on the Belgian Code on Corporate Governance of 9 May 2019 (the "Corporate Governance Code") as a reference code. The Corporate Governance Code can be found on the website of the Belgian Corporate Governance Committee (www.corporategovernancecommittee.be).

As a Belgian headquartered, listed company with a commitment to high standards of corporate governance, the Board adopted a Corporate Governance Charter in May 2017, as required by the Corporate Governance Code. This Corporate Governance Charter is updated regularly and was most recently revised in 2018. It is available for download on the corporate governance section of our investor relations website www.baltainvestors.com.

The Company follows the rules provided by the Belgian Corporate Governance Code of 2020, except as explicitly stated otherwise and justified in the Corporate Governance Statement.

CAPITAL AND SHAREHOLDERS STRUCTURE

Capital and capital evolution

The capital of the Company amounts to € 260,589,621 as at 31 December 2020 represented by 35,943,396 shares without nominal value. Each share carries one vote. No capital movements took place in 2020.

Shareholder evolution

The applicable successive thresholds pursuant to the Law of 2 May 2007 on the disclosure of significant shareholdings in issuers whose shares are admitted to trading on a regulated market and other provisions are set at 5% of the total voting rights, and 10%, 15%, 20% and so on at incremental intervals of 5%.

In the course of 2020, the Company received a transparency declaration from Farringdon Capital Management on 6 November 2020, stating that by virtue of an acquisition of shares on 4 November 2020, it holds at that date 1,804,095 shares of the Company, representing 5.02% of the voting rights.

Shareholder structure

The following table shows the shareholder structure on 31 December 2020 based on the notifications made to the Company and the Belgian Financial Services and Markets Authority ("FSMA") by the shareholder listed below in accordance with article 6 of the Belgian law of 2 May 2007 on the notification of significant shareholdings:

	Shareholding	
	Number	%
LSF9 Balta Holdco S.à r.l.	19,408,879	54.00%
Farringdon Capital Management	1,804,095	5.02%

The following acquisitions of shares by persons discharging managerial responsibilities ("PDMR") have been notified in the course of 2020:

Name	Date	Number of shares
Emmanuel Rigaux	11 March 2020	20,000

Mr Rigaux acquired the shares on Euronext.

Dividend policy
Subject to the availability of distributable reserves and the lack of any material external growth opportunities, the Company intends to pay a dividend of between 30% to 40% of its net profits for the year based on its consolidated IFRS financial statements. The amount of any dividend and the determination of whether to pay the dividend in any year may be affected by a number of factors, including the Company's business prospects, cash requirements, and any material growth opportunities.

Shareholders' Meetings
Due to the measures and recommendations made by public authorities in Europe and Belgium and the Royal Decree no. 4 of 9 April 2020 on Shareholders' Meetings and Board Meetings in the context of the COVID-19 pandemic, the Board of Directors decided to hold the Annual and the Extraordinary Shareholders' Meetings for 2020 behind closed doors without the physical presence of shareholders.

As a consequence shareholders could only participate in the Extraordinary and General Meetings by means of granting a proxy or by completing a voting form.

Annual General Shareholders' Meeting
The Company's third Annual General Shareholders' Meeting ("Shareholders' Meeting") took place on 26 May 2020.

Shareholders acknowledged the annual report and the statutory auditor's report with respect to the statutory and consolidated annual accounts relating to the financial year ending on 31 December 2019 and the consolidated annual accounts relating to the financial year ending on 31 December 2019.

Shareholders approved the remuneration report relating to the financial year ending on 31 December 2019. They further approved the statutory annual accounts relating to the financial year ending on 31 December 2019, including the allocation of the results as proposed by the Board of Directors. Both the directors and the statutory auditor were discharged of liability regarding the execution of their mandates during the financial year ending on 31 December 2019. In accordance with article 7:151 of the Belgian Code on Companies and Associations, the shareholders also approved the clauses in the sale-and-leaseback agreement dated 20 December 2019 that foresaw the partial or full prepayment to the involved financial institutions in the event of a change of control over the Company and in the Company's long term incentive plan, allowing for accelerated PSU vesting in the event of the closing of a public takeover bid on all shares of the Company.

The mandate for the statutory auditor expired after the Annual General Shareholders' Meeting and as a consequence the shareholders approved the reappointment of PwC Bedrijfsrevisoren BV, represented by Mr Peter Opsomer, statutory auditor, with registered seat at Woluwedal 18, 1932 Sint-Stevens-Woluwe, as statutory auditor for a further three-year term. The term of office shall terminate at the end of the General Meeting of Shareholders called to rule on the annual accounts for the financial year that will be closed on 31 December 2022.

Extraordinary Shareholders' Meeting
After the Annual General Shareholders' Meeting the Extraordinary Shareholders' Meeting was held before the notary public. Within the framework of the BCCA and renewal of certain authorisations an update to the Company's articles of association had to be made.

The shareholders acknowledged the special report of the Board of Directors drafted in accordance with article 7:199 of the Belgian Code on Companies and Associations with respect to the renewal of the authorisation regarding the authorised capital and approved the renewal of this authorisation. The authorisations regarding the acquisition and divestment of own shares, including acquisition by subsidiaries and including avoidance of serious and imminent harm in accordance with articles 7:215 and 7:218 of the Belgian Code on Companies and Associations, and in accordance with the amendment of article 16 of the Company's articles of association, were also approved by shareholders.

The timeframe in which a convening notice should be sent was altered to two business days prior to the meeting by approval of shareholders. They also approved the amendment of the date and hour of the annual meeting to the fourth Wednesday of May at 11 am and the possibility to hold Shareholders' Meetings via conference call, videoconference or in any other way that allows the shareholders to deliberate without being physically present.

New text was included to align the Company's articles of association with the Belgian Code on Companies and Associations and the above resolutions were approved. The new text indicating the proposed amendments was made available to the shareholders on the Company's website: www.baltainvestors.com.

Dealing Code

On 29 August 2017, the Board approved the Company's Dealing Code in accordance with the EU Market Abuse Regulation EU 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse ("MAR"). The Dealing Code restricts transactions of Balta securities by members of the Board and the Management Committee, senior management and certain other persons during closed and prohibited periods. The Dealing Code also contains rules concerning the disclosure of intended and executed transactions by leading managers and their closely associated persons through a notification to the Company and to the FSMA. The General Counsel is the Compliance Officer for the purposes of the Balta Dealing Code.

THE BOARD AND COMMITTEES

Balta Group NV has a Board of Directors, a Management Committee, an Audit Committee and a Remuneration and Nomination Committee.

Board of Directors Mandate of the Board

The Board of Directors is vested with the power to perform all acts that are necessary or useful for the realisation of the Company's purpose, except for those actions that are specifically reserved by law or the articles of association for the Shareholders' Meeting or other corporate bodies.

In particular, the Board of Directors is responsible for:

- defining the general policy and strategy of the Company and its subsidiaries;
- deciding on all major strategic, financial and operational matters of the Company;
- overseeing the management by the Chief Executive Officer ("CEO") and other members of the Management Committee; and
- all other matters reserved to and obligations imposed (including disclosure obligations) on the Board of Directors by law or the articles of association.

Composition of the Board of Directors

The BCCA proposes different governance models. The Company has chosen monism, meaning a single Board of Directors. This governance model aligns with the existing model and is the most suitable for our organisation. The CEO chairs the Management Committee and the Board of Directors. The CEO is a vital link between different management levels and the Board of Directors, and is best placed to connect the supervision of the business. That is the main reason we did not adopt a dualism governance model (with a Supervisory Board and Management Board). This model does not allow that individuals are a member of both Boards.

Pursuant to the articles of association, the Board of Directors must comprise at least five members.

On 31 December 2020, the Board consisted of nine members, comprising three independent non-executive directors. The CEO is the only executive member of the Board of Directors.

The articles of association entitle LSF 9 Balta Holdco S.à r.l., as long as it holds at least 50% of the total number of shares issued by the Company (which is the case), to nominate at least five members to be appointed by the Shareholders' Meeting.

Although the term of office of directors under Belgian law is limited to six years (renewable), the Corporate Governance Code recommends that it be limited to four years. The articles of association limit the term of office of directors to four years.

The appointment and renewal of directors is based on a recommendation of the Remuneration and Nomination Committee to the Board of Directors and is subject to approval by the Shareholders' Meeting, taking into account the nomination rights described above.

On 31 December 2020, the Board of Directors was composed as follows:

Name	Position	Director since	Mandate expires
Cyrille Ragoucy	Chairman of the Board and CEO	2017	2021
Michael Kolbeck	Non-Executive Director and chairman of the Remuneration and Nomination Committee	2017	2021
Accelium BV, represented by Nicolas Vanden Abeele	Independent Director	2017	2021
Sarah Hedger	Independent Director	2017	2021
Itzhak Wiesenfeld	Independent Director	2019	2023
Neal Morar	Non-Executive Director	2018	2021
Hannah Strong	Non-Executive Director	2017	2021
Jeremy Fryzuk	Non-Executive Director and chairman of the Audit Committee	2017	2021
Patrick Lebreton	Non-Executive Director	2017	2021

Mrs Annelies Willemyns was appointed as Corporate Secretary of the Board of Directors.

Cyrille Ragoucy has more than 25 years' experience in senior management positions. His last operational position, before becoming CEO of Balta, was as CEO of Tarmac Ltd (originally Lafarge Tarmac), a leading building materials and construction solutions firm in the UK, where he oversaw the creation of the joint venture between Lafarge SA and Anglo American as well as the integration of several acquisitions, before the entity was purchased by CRH, a large Irish construction firm in August 2015. From 1998 to 2012, Mr Ragoucy was with Lafarge, serving as CEO of Lafarge Shui On Cement, a Chinese joint venture between Lafarge and Shui On, and CEO of Lafarge Construction Materials for Eastern Canada, among other director and executive-level posts. Currently he is also non-executive chairman of Chryso Group.

Mr Ragoucy holds a Master of Management from the University of Paris IX (Dauphine), France.

Michael Kolbeck is Managing Director and Head of Europe for Corporate Investments at Hudson Advisors UK Limited, which advises Lone Star Funds, including Lone Star Fund IX, an investor in the Company. Prior to being appointed to his post at Hudson in January 2017, he was a Managing Director at Lone Star Germany Acquisitions GmbH. He currently also serves as Board Member of Xella International S.A., a leading European building materials company, and of LSF11 Skyscraper Investments S.a r.l., the main entity at the head of the MBCC Group, a leading supplier of innovative construction chemicals and solutions, and of Dynamic Bulk LLC, a shipping company, and is an observer of the Board of LSF10 Edilians Investments S.à r.l., a leading roof tile manufacturer in France. Prior to joining Lone Star and Hudson in 2004, Mr Kolbeck worked for several years as an investment manager for Allianz Group.

Mr Kolbeck holds a master’s degree in Business Administration from Ludwig-Maximilians University, Munich, Germany.

Nicolas Vanden Abeele is currently part of the Executive Committee of Barco, a global leader in visualization solutions, heading the worldwide Entertainment Division. He is a seasoned global leader with over 25 years’ experience in a variety of operational and business leadership roles delivering growth, business transformation and operational excellence. Before joining Barco, he served six years as a member of the Executive Committee at the Etex Group, a leading building materials company, where he headed its Insulation and Building Materials Division and also served as a director for several Etex Group companies. Prior to Etex Group, he held various global executive positions in the technology industry with Alcatel-Lucent and strategy consulting with Arthur Andersen; living in Europe, the Americas and Asia.

Mr Vanden Abeele holds master’s degrees in Business Administration (K.U. Louvain, Belgium), Management (Solvay School of Management/ULB Belgium) and International Business and European Economics (College of Europe, Belgium).

Sarah Hedger was employed by General Electric for 12 years, prior to retiring in March 2017. She held leadership positions in its Corporate, Aviation and Capital business development teams, leaving General Electric as Leader of Business Development and M&A for its GE Capital division. While at General Electric, she served as a non-executive director of GE Money Bank AB from 2011 to 2014, prior to its sale to Santander Group, as well as GE Capital EMEA Services Limited from 2011 to 2018. Before General Electric, Mrs Hedger worked at Lazard & Co. Limited for 11 years, leaving as Director Corporate Finance and spent five years as an auditor at PricewaterhouseCoopers.

Mrs Hedger was appointed as non-executive director of OneSavings Bank plc on 1 February 2019. She was also appointed a non-executive director of OSB Group PLC on 28 February 2020, which replaced OneSavings Bank plc as the listed holding company of the same group on 30 November 2020.

Mrs Hedger holds a master’s degree in Electrical and Electronic Engineering and Business Studies from Imperial College, London University and is a qualified chartered accountant.

Itzhak (Tzachi) Wiesenfeld has 30 years' experience in senior management positions. For 12 years he was the EMEA CEO at ASSA ABLOY, the global leader in door opening solutions, which had a revenue of € 2 billion, 10,000 employees across 40 factories and 100 selling units. Under Mr Wiesenfeld's leadership, the EMEA revenues grew by 50% and delivered high profits and strong cash flows. Previously Mr Wiesenfeld was CEO of ASSA ABLOY in the UK and CEO of Mul-T-Lock. His experience includes optimisation of manufacturing footprint, digitisation of industrial companies and execution of many M&A deals. His commercial background includes B2B and B2C in a multi-channel market environment.

Mr Wiesenfeld is currently the chairman of iLOQ, a fastgrowing digital locks company, based in Finland and owned by Nordic Capital. He is also a board member at FlaktGroup, a leading European ventilation and air management solutions company, owned by Triton Partners. He is also a Senior Industry Expert, involved predominantly in M&A deals for private equity firms.

Mr Wiesenfeld holds a BSc degree in Industrial Engineering and an MBA. He is also a Sloan graduate from London Business School. He holds dual British and Israeli citizenships.

Neal Morar is a Managing Director in the Corporates team at Hudson Advisors UK Limited, which advises Lone Star and the funds which it administers, including Lone Star Fund IX, which is an investor in the Company. Prior to his current role, he held the post of UK CFO of Hudson Advisors UK Limited for five years and served on the Boards of various entities across industries including hotels and developments, loan servicer in Italy and an equity release company. Prior to joining Hudson in 2012, Mr Morar worked for 5 years as Managing Director, International CFO for AIG Investments and 10 years in various CFO roles for the FTSE 100 Capita Group including the set up and running of a captive server in Mumbai, India, in 2003. Mr Morar obtained membership of the Chartered Certified Accountants in 1996, gained Fellow status (FCCA) in 2001 and has also been regulated in various capacities with the FCA (UK), JFSC (Jersey) and CBI (Ireland) over the last 19 years.

Mr Morar holds a degree in Accounting and Finance from the University of Hertfordshire, UK.

Hannah Strong is Vice President, Legal Counsel at Hudson Advisors UK Limited, which advises Lone Star and the funds which it administers, including Lone Star Fund IX, an investor in the Company. Prior to her position at Hudson, Mrs Strong worked as in-house legal counsel at The Carlyle Group (2013-2017) and was a corporate associate at Latham & Watkins in London (2007-2013). Mrs Strong has extensive experience advising on legal and compliance issues that face companies across numerous industries and jurisdictions.

Mrs Strong holds a bachelor's degree in Jurisprudence from Oxford University.

Jeremy Fryzuk is Director in the Corporate Private Equity Team at Hudson Advisors UK Limited, which advises Lone Star and the funds which it administers, including Lone Star Fund IX, an investor in the Company. Prior to his post at Hudson, he worked for Rhône Group (2013-2015), a mid-market private equity fund based in London. Prior to joining Rhône, he worked for Morgan Stanley in the firm's principal investments group and investment banking division.

Mr Fryzuk holds a Bachelor of Commerce with a major in Finance from Dalhousie University in Canada.

Patrick Lebreton is Managing Director Corporates at Hudson Advisors UK Limited, which advises Lone Star and the funds which it administers, including Lone Star Fund IX, an investor in the Company. Prior to his post at Hudson, he was a Director (Operating Partner) of Montagu Associates (2012-2015), advising the Montagu Private Equity Fund. From 2004 to 2012, he was an Executive

Vice President in the Portfolio Group at Bain Capital. Previously he held executive posts at General Electric, was a manager at Accenture, and is a retired U.S. Army Officer, having served in Operation Desert Storm. He is currently the chairman of Stark Group, the leading Scandinavian builders merchant chain, and a Director of Edilans S.à r.l., the leading French roofing products company.

Mr Lebreton holds a Bachelor of Science in International Economics and Finance from Georgetown University and a master's degree in Business Administration from Harvard Business School.

Evolution in composition during 2020

There were no changes to the composition of the Board of Directors in 2020.

Functioning of the Board of Directors

In principle, the Board of Directors meets at least five times a year. Additional meetings may be called with appropriate notice at any time to address specific business needs. During the COVID-19 crisis, the Board met frequently in 2020. In total, the Board met on sixteen (16) occasions.

Major matters reviewed and discussed by the Board of Directors in 2020 were:

- Financial and overall performance of the Group;
- Continuous monitoring of the cashflow situation, the purchase action plan and actions to mitigate the impact of COVID-19;
- Changing the articles of association in line with the new BCCA;
- Implementation, actions and outcome of the 'One Balta for Safety' initiative;
- Detailed follow-up of the progress made with the Company's three-year transformation and earnings enhancement programme NEXT;
- General strategic, financial and operational matters for the business;
- On a recommendation from the Audit Committee, approval of the quarterly and half-year financial results and the corresponding reports and press releases, the refinancing business plan, the 2020 budget and the amendment and extension of the RCF;
- On a recommendation from the Remuneration and Nomination Committee, approval of the 2019 bonus and the 2020 bonus methodology for members of the Management Committee and the 2020 long term incentive plan.

The Board of Directors is convened by the chairman or the CEO whenever the interest of the Company so requires, or at the request of two directors.

Under the lead of its chairman, the Board will regularly evaluate its scope, composition and performance and those of its Committees, as well as its interaction with executive management.

The CEO and other executive managers are invited to attend meetings as appropriate. The Chief Financial Officer ("CFO") is present at all Board meetings and other members of the Management Committee are regularly invited to attend. This guarantees appropriate interaction between the Board and management.

Directors' attendance at Board and Committee meetings

	Board of Directors	Audit Committee	Remuneration and Nomination Committee
Cyrille Ragoucy	16/16		
Michael Kolbeck	16/16		5/5
Accelium BV, represented by Nicolas Vanden Abeele	16/16	8/8	5/5

Sarah Hedger	16/16	8/8	5/5
Itzhak Wiesenfeld	16/16		5/5
Neal Morar	16/16		
Hannah Strong	16/16		
Jeremy Fryzuk	16/16	7/8	
Patrick Lebreton	16/16		

Diversity

For companies whose securities are admitted to a regulated market for the first time, the requirement to have at least one-third of board members of an opposite gender than the other members is to be met as of the first day of the sixth financial year starting after the IPO, being for the Company as of 1 January 2023. Our Board of Directors is currently 22% female. The necessary attention is being paid to meet this requirement as soon as practically possible. Our Board also features a mix of expertise from different operational fields.

We face a challenge to make our broader workforce diverse and create fully equal opportunities regardless of gender, race or cultural background given the nature of our operations. In 2020, the Management Committee launched a new ambition, to have at least 40% women in all layers of Balta Group's top management by 2030. This would reflect the partition of gender in the whole of our organisation. Increasing gender diversity both in the workplace and in the leadership teams are critical success factors in making better decisions and developing more innovative business solutions. A demonstrated focus on gender equality enables an organisation to attract and retain the best talent. It also ensures that all employees within the organisation have access to equal opportunities in developing their careers in a workplace free of bias.

Balta employees have diverse backgrounds across all age groups, from our identified 'future leaders' through to those with deep domain expertise, and are gender diverse with an increasing number of women in management roles.

Being a global business headquartered in Belgium, we operate in several different languages and employ over 50 nationalities across 10 locations. This is reflected in the Management Committee, composed of diverse Amercian, Belgian, French and German nationalities.

It is our strong belief that employing the right people for the right roles encourages a balanced workplace and this has been reflected in a slight improvement in gender balance at the end of 2020. However, our diversity does need to improve in senior management functions and we expect the steps taken in engagement and well-being will help address this issue. During 2021, we will continue to work towards making our workforce reflect the international stage on which we operate more closely.

Audit Committee

In accordance with the stipulations in book 7, title 4, chapter 1 of the Belgian Code on Companies and Associations and provision 5.2 of the Corporate Governance Code, the Board of Directors of Balta has established an Audit Committee.

On 31 December 2020, the Audit Committee consisted of three members, all being non-executive directors and a majority of them being independent directors.

Name	Position	Director since	Mandate expires
Jeremy Fryzuk	Chairman of the Committee and Non-Executive Director	2017	2021
Accelium BV, represented by Nicolas Vanden Abeele	Member and Independent Director	2017	2021
Sarah Hedger	Member and Independent Director	2017	2021

In the course of 2020, the Audit Committee met eight times.

As required by the Belgian Code on Companies and Associations, Mr Jeremy Fryzuk, chairman of the Audit Committee possesses appropriate expertise and experience in this field. Reference is made to his biography in the 'Board of Directors' section above.

The chairman reported the outcome of each meeting to the Board of Directors.

The CEO and CFO are not members of the Audit Committee, but are invited to attend its meetings. This guarantees appropriate interaction between the Committee and management. As appropriate, other Board members are invited to attend the Audit Committee meetings.

The statutory auditor attended three meetings during which it reported on the outcome of the audit and presented the global audit plan.

In addition to its statutory powers and its power under the Corporate Governance Charter, the Audit Committee considered the following main subjects: the quarterly financial statements, refinancing opportunities, the internal legal restructuring, the compliance approach and related policies, the Company's Brexit readiness, updates in internal audit and internal control, the budget, the approval of non-audit services, the reappointment of the statutory auditor in the subsidiaries and the amendment and extension of the European RCF and SSNs.

Remuneration and Nomination Committee
In accordance with the stipulations in book 7, title 4, chapter 1 of the Belgian Code on Companies and Associations and provision 5.3 and 5.4 of the Corporate Governance Code, the Board of Directors has established a Remuneration and Nomination Committee.

On 31 December 2020, the Remuneration and Nomination Committee consisted of four members, all being non-executive directors and a majority of them being independent directors:

Name	Position	Director since	Mandate expires
Michael Kolbeck	Chairman and Non-Executive Director	2017	2021
Accelium BV, represented by Nicolas Vanden Abeele	Member and Independent Director	2017	2021
Sarah Hedger	Member and Independent Director	2018	2021
Itzhak Wiesenfeld	Member and Independent Director	2019	2023

In 2020 the Remuneration and Nomination Committee met five times.

The CEO and the Group HR Director are not members of the Committee, but are invited to attend its meetings, unless the members of the Committee want to meet separately (e.g. when discussing remuneration). This guarantees appropriate interaction between the Committee and management.

In addition to its statutory powers and its powers under the Corporate Governance Charter, the Remuneration and Nomination Committee discussed the following main subjects: the performance of members of the Management Committee, the 2019 bonus for members of the Management Committee, the compensation and benefit packages for members of the Management Committee, the recruitment and remuneration of senior management, the 2020 long term incentive plan, the 2020 bonus methodology for members of the Management Committee, the remuneration report, and talent and succession planning at management level.

Chief Executive Officer
Mr Ragoucy was appointed as CEO by the Board of Directors and reports directly to it. The CEO has direct operational responsibility for the Company and oversees the organisation and day-to-day management of the Company and its subsidiaries.

The CEO is responsible for the execution and management of the outcome of all Board of Directors' decisions.

The CEO heads the Management Committee, which reports to him, within the framework established by the Board of Directors and under its ultimate supervision.

Management Committee
The Management Committee is chaired by the CEO. Other members of the Management Committee are appointed and removed by the Board of Directors upon the advice of the CEO and the Remuneration and Nomination Committee.

The Management Committee exercises the duties assigned to it by the CEO, under the ultimate supervision of the Board of Directors.

The composition of the Company's Management Committee did not change in 2020 and consists of the following members on 31 December 2020:

Name	Position
Cyrille Ragoucy	Chief Executive Officer
Jan-Christian Werner	Chief Financial Officer
Marc Dessein BV, represented by Marc Dessein	Managing Director Balta home
Oliver Forberich	Managing Director Balta carpets, ITC and arc edition
Quercum BV, represented by Stefan Claeys	Managing Director modulyss
Jim Harley	President Bentley Mills Inc
Kris Willaert	Group HR Director
Emmanuel Rigaux	Chief Transformation Officer

For the biography of Cyrille Ragoucy, please see the "Board of Directors" section above.

Jan-Christian Werner started at Balta in February 2019 as Head of Group Controlling and Reporting and was appointed Chief Financial Officer on 3 July 2019. Mr Werner has extensive experience in financial controllership, Corporate Finance and M&A at international stock market listed companies. Before joining Balta, Mr Werner was Head of the Finance organisation for the EMEA region at Orion Engineered Carbons for five years and afterwards spent one year as acting CFO of AvesOne AG, a listed Investment holding company.

Marc Dessein has worked for Balta since 1992, serving as Managing Director of the Rugs division since 2006. From 1993 until 2006, he was General Manager of the Wool-Heatset Rugs Business Unit of Balta and prior to that Export Sales manager. From 1985 to 1992 he held sales and management positions at Pfizer, Radar and Sun International.

Oliver Forberich joined Balta on 2 September 2019 as Managing Director Balta carpets, ITC, arc edition and Captiqs. In 1998, he started his career at SCHOTT focussing on business development and marketing. In 2006 Mr Forberich joined thinXXS Microtechnology and moved on in 2007 to join Bekaert in Belgium. Mr Forberich worked at Bekaert for 12 years holding various general management positions before being appointed Chief Marketing Officer and Senior Vice President Stainless Technologies. Over the last 20 years he gained extensive experience in many different industries across the globe.

Stefan Claeys joined Balta on 23 April 2019, as Managing Director modulyss.
Stefan worked at Beaulieu from 2012 until he joined Balta as General Manager of the technical textiles division. From 2002 to 2012, he was in the Wienerberger Group in various positions including director corporate marketing and export, CEO of Wiekor in Poland and product group business manager at the Vienna HQ. Prior to that he occupied international sales, marketing and business development positions within CNH Group, Bekaert and the Koramic Investment Group.

Jim Harley, a seasoned industry executive, rejoined Bentley in February 2013 as Chief Operating Officer, and became President in November 2017. He started his career with Bentley more than 35 years ago, as part of the management team that built the company from a small start-up carpet manufacturer in 1980 into a brand widely recognised for its innovative design, high-quality products and excellence in customer service. Prior to re-joining Bentley, he spent 15 years in executive roles at Tandus (now Tarkett), Monterey Carpets and Chroma Systems.

Kris Willaert joined Balta on 3 June 2019 as Group HR Director. Kris holds a master's degree in Communication Sciences and has a wealth of HR management experience having worked for leading global companies. He has previously served in international HR executive roles at KONE International (Southern Europe, Middle East and Africa), MasterCard Europe and Lloyds Pharma.

Emmanuel Rigaux joined Balta on 1 October 2019 as Chief Transformation Officer, with the responsibility of leading the NEXT programme. Mr Rigaux previously held leadership positions in the construction industry in the US, in Europe as well as in Africa, and also led several large M&A transactions. Mr Rigaux started his career with the Boston Consulting Group.

Statutory auditor

The audit of the statutory and consolidated financial statements of the Company is entrusted to the statutory auditor appointed at the Shareholders' Meeting, for renewable terms of three years. The current statutory auditor is PricewaterhouseCoopers Bedrijfsrevisoren BV, with its registered office at Woluwedal 18, 1932 Sint-Stevens-Woluwe, and represented by Mr Peter Opsomer.

The current mandate of PricewaterhouseCoopers Bedrijfsrevisoren BV will expire at the Annual General Shareholders' Meeting that will be asked to approve the annual accounts for the financial year ended on 31 December 2022.

Article 3:71 of the Belgian Code on Companies and Associations and article 24 of the Law of 7 December 2016 on the organisation of the profession of and the public supervision over auditors, limit the liability of auditors of listed companies to € 12m for, respectively, tasks concerning the legal audit of annual accounts within the meaning of article 3:55 of the Belgian Code on Companies and Associations and other tasks reserved to auditors of listed companies by Belgian law or in accordance with Belgian law, except for liability resulting from the auditor's fraud or other deliberate breach of duty.

In 2020, the remuneration paid to the statutory auditor for auditing activities amounted to € 581,000. Remuneration paid for other assignments outside the audit mandate was € 44,000 and € 80,000 for tax related services.

RELEVANT INFORMATION IN THE EVENT OF A TAKEOVER BID

Article 34 of the Royal Decree of 14 November 2007 on the obligations of issuers of securities which have been admitted to trading on a regulated market, requires that listed companies disclose certain items that may have an impact in the event of a takeover bid.

Capital structure
A comprehensive overview of our capital structure as at 31 December 2020 can be found in the "Capital Structure" section of this Corporate Governance Statement.

Restrictions on transfers of securities
The Company's articles of association do not impose any restrictions on the transfer of shares. Furthermore, the Company is not aware of any such restrictions imposed by Belgian law except in the framework of the Market Abuse Regulation.

Holders of securities with special control rights
There are no holders of securities with special control rights other than the nomination rights set out below.

Employee share plans where control rights are not exercised directly by the employees

The Company has not set up employee share plans where control rights over the shares are not exercised directly by the employees.

Restriction on voting rights
The articles of association of the Company do not contain any restrictions on the exercise of voting rights by the shareholders, provided that the shareholders concerned comply with all formalities to be admitted to the Shareholders' Meeting.

Shareholder agreements
Balta is not aware of any shareholder agreement which includes, or could lead to, a restriction on the transfer of its shares or exercise of voting rights related to its shares.

Rules on the appointment and replacement of members of the Board of Directors and on amendments to the articles of association
The term of office of directors under Belgian law is limited to six years (renewable) but the Corporate Governance Code recommends that it be limited to four years.

In accordance with the articles of association, the Company is managed by a Board of Directors that shall consist of a minimum of five directors. These are appointed by the Shareholders' Meeting for a maximum term of four years, as recommended by the Corporate Governance Code, and may be reappointed. Their mandate may be revoked at any time by the Shareholders' Meeting.

Should any of the directors' mandates become vacant, for whatever reason, the remaining directors may temporarily fill such vacancy until the next Shareholders' Meeting appoints a new director.

For as long as LSF9 Balta Holdco S.à r.l. ("LSF9") or a company affiliated therewith within the meaning of article 1:20 of the Belgian Code on Companies and Associations (a "company affiliated therewith"), directly or indirectly, holds at least 50% of the total number of shares issued by the Company – which was the case in 2020 – it is entitled to nominate at least five directors to be appointed by the Shareholders' Meeting.

For as long as LSF9 or a company affiliated therewith, directly or indirectly, holds less than 50% but at least 40% of the total number of shares issued by the Company, it is entitled to nominate four directors to be appointed by the Shareholders' Meeting.

For as long as LSF9 or a company affiliated therewith, directly or indirectly, holds less than 40% but at least 30% of the total number of shares issued by the Company, it is entitled to nominate three directors to be appointed by the Shareholders' Meeting.

For as long as LSF9 or a company affiliated therewith, directly or indirectly, holds less than 30% but at least 20% of the total number of shares issued by the Company, it is entitled to nominate two directors to be appointed by the Shareholders' Meeting.

For as long as LSF9 or a company affiliated therewith, directly or indirectly, holds less than 20% but at least 10% of the total number of shares issued by the Company, it is entitled to nominate one director to be appointed by the Shareholders' Meeting.

If the direct or indirect shareholding of LSF9 or a company affiliated therewith in the Company falls below one of the aforementioned thresholds, LSF9 shall cause a director appointed upon its nomination to tender its, his or her resignation as director with effect as of the date of the next annual Shareholders' Meeting, failing which the mandate of the director who was most recently appointed upon LSF9's nomination, shall automatically terminate on the date of the next annual Shareholders' Meeting.

The CEO is vested with the day-to-day management of the Company and the representation of the Company in respect of such management. The Board of Directors appoints and removes the CEO.

Within the limits of the powers granted to him/her by or pursuant to the articles of association, the CEO may delegate special and limited powers to a Management Committee or any other person.

Save for capital increases decided by the Board of Directors within the limits of the authorised capital, only an Extraordinary Shareholders' Meeting is authorised to amend the Company's articles of association. A Shareholders' Meeting is the only body which can deliberate on amendments to the articles of association, in accordance with the articles of the Belgian Code on Companies and Associations.

Authorised capital and acquisition of own shares

Authorised capital

The renewal of this authorisation was approved by the annual Shareholders' Meeting held in 2020 and as a consequence article 6 of the articles of association was amended.

According to article 6 of the articles of association, the Board of Directors may increase the capital of the Company once or several times by a (cumulated) amount of maximum 100% of the amount of the capital.

This authorisation may be renewed in accordance with the relevant legal provisions. The Board of Directors can exercise this power for a period of five years as from the date of publication in the Annexes to the Belgian Official State Gazette of the amendment to the articles of association approved by the Extraordinary Shareholders' Meeting of 26 May 2020.

Any capital increases which can be decided pursuant to this authorisation will take place in accordance with the modalities to be determined by the Board of Directors and may be effected (i) by means of a contribution in cash or in kind (where appropriate including a indistributable share premium), (ii) through conversion of reserves, whether available or unavailable for distribution, and issuance premiums, with or without issuance of new shares with or without voting rights. The Board of Directors can also use this authorisation for the issuance of convertible bonds, subscription rights or bonds to which subscription rights or other tangible values are connected, or other securities.

When exercising its authorisation within the framework of the authorised capital, the Board of Directors can limit or cancel the preferential subscription right of shareholders in the interests of the Company, subject to the limitations and in accordance with the conditions provided for by the Belgian Code on Companies and Associations. This limitation or cancellation can also occur to the benefit of the employees of the Company or its subsidiaries, or to the benefit of one or more specific persons, even if these are not employees of the Company or its subsidiaries.

The Board of Directors is expressly empowered to proceed with a capital increase in any and all forms, including but not limited to a capital increase accompanied by the restriction or withdrawal of the preferential subscription right, (even after receipt by the Company of a notification by the FSMA) of a takeover bid for the Company's shares. Where this is the case, however, the capital increase must comply with the additional terms and conditions laid down in article 7:202 of the Belgian Code on Companies and Associations. The powers hereby conferred on the Board of Directors remain in effect for a period of three years from the date of publication in the Annexes to the Belgian Official State Gazette of the authorisation of the Extraordinary Shareholders' Meeting of 26 May 2020. These powers may be renewed for a further period of three years by resolution of the Shareholders' Meeting, deliberating and deciding in accordance with applicable rules. If the Board of Directors decides upon an increase of authorised capital pursuant to this authorisation, this increase will be deducted from the remaining part of the authorised capital specified in the first paragraph.

In the course of 2020, the Board of Directors did not make use of its mandate to increase Balta's capital as stated in article 6 of the articles of association.

Acquisition of own shares

The renewal of the authorisation was approved by the annual Shareholders' Meeting held in 2020 and as a consequence article 16 of the articles of association was amended.

According to article 16 of its articles of association, the Company may, without any prior authorisation of the Shareholders' Meeting, in accordance with articles 7:215 ff. of the Belgian

Code on Companies and Associations and within the limits set out in these provisions, acquire, on or outside a regulated market maximum 20% of its own shares for a price which will respect the legal requirements, but which will in any case not be more than 10% below the lowest closing price in the last thirty trading days preceding the transaction and not more than 10% above the highest closing price in the last thirty trading days preceding the transaction. This authorisation is valid for five years from the date of the publication in the Annexes to the Official Belgian State Gazette of the authorisation of the Extraordinary Shareholders' Meeting of 26 May 2020. This authorisation covers the acquisition on or outside a regulated market by a direct subsidiary within the meaning and the limits set out by article 7:221, indent 1 of the Belgian Code on Companies and Associations. If the acquisition is made by the Company outside a regulated market, even from a subsidiary, the Company shall comply with article 7:215 §1 4° of the Belgian Code on Companies and Associations.

The Board of Directors is authorised, subject to compliance with the provisions of the Belgian Code on Companies and Associations, to acquire and to divest for the Company's account the Company's own shares, profit-sharing certificates or associated certificates if such acquisition is necessary to avoid serious and imminent harm to the Company. Such authorisation is valid for three years as from the date of publication in the Annexes to the Official Belgian State Gazette of the authorisation of the Extraordinary Shareholders' Meeting of 26 May 2020.

In accordance with article 7:218 of the Belgian Code on Companies and Associations the Board of Directors is authorised to divest itself of part of or all the Company's shares at any time and at a price it determines, on or outside the stock market or in the framework of its remuneration policy to members of the personnel of the Company. This authorisation covers the divestment of the Company's shares, profit-sharing certificates or associated certificates by a direct subsidiary within the meaning of article 7:221, indent 1 of the Belgian Code on Companies and Associations. By authorisation of the Extraordinary Shareholders' Meeting of 26 May 2020 the Board of Directors is, in accordance with article 7:218, §1, 4° of the Belgian Code on Companies and Associations, explicitly authorised to divest its own shares, in favour of persons who are not part of the personnel of the Company.

In the course of 2020, the Board of Directors did not make use of its mandate to acquire its own shares as stated in article 16 of the articles of association.

Material agreements to which Balta or certain of its subsidiaries is a party containing change of control provisions

Senior Secured Notes
On 3 August 2015, LSF9 Balta Issuer S.à r.l. (the "Issuer") issued € 290,000,000 in aggregate principal amount of 7.75% Senior Secured Notes due 2022 of which € 234,900,000 remained outstanding after the partial redemptions in 2017. On 8 March 2021, an amend and extend agreement closed and the maturity date of the replacement Senior Secured Notes issued was extended until 31 December 2024.

Upon the occurrence of a change of control (as defined in the Senior Secured Notes Indenture), the Senior Secured Notes Indenture requires the Issuer to offer to repurchase the Senior Secured Notes at 101% of their aggregate principal amount, plus accrued and unpaid interests and additional amounts, if any, to the date of purchase.

Revolving Credit Facility
On 3 August 2015, the Issuer and LSF9 Balta Investments S.à r.l. entered into a Super Senior Revolving Credit Facility Agreement (as amended or supplemented from time to time, the

"Revolving Credit Facility"), which provides for € 61,000,000 of committed financing at 31 December 2020.

On 9 October 2020 the Company signed agreements with each of its lenders under its existing European Super Senior Revolving Credit Facility to amend and extend the maturity date for this facility to 30 June 2024.

The Revolving Credit Facility requires mandatory prepayment in full or in part in certain circumstances including upon a change of control (as defined in the Revolving Credit Facility).

Senior Term Loan
On 29 August 2017, LSF9 Balta Issuer S.à r.l. entered into a € 35,000,000 Senior Term Loan Facility Agreement (the "Senior Term Loan").

The Senior Term Loan required mandatory prepayment in full or in part in certain circumstances including upon a change of control (as defined in the Senior Term Loan).

On 21 January 2020, the Company prepaid all amounts outstanding under the Senior Term Loan.

2018 Long Term Incentive Plan
In 2018, a long term incentive plan (the "2018 LTIP") was implemented to create alignment between managers' and shareholders' interests. The 2018 LTIP consists of Performance Share Units ("PSU"s) which convert into shares and vest to relevant managers that still provide services to the Balta Group on the third anniversary of their award, to the extent that the Company's share price reaches certain defined targets. As approved by the Shareholders' Meeting of 16 June 2017 in accordance with article 7:151 of the Belgian Code on Companies and Associations, the PSU vesting is accelerated in the event of a change of control or the closing of a public takeover bid for the Company.

One-off PSU package CEO
Mr Ragoucy was awarded a one-off package consisting of PSUs in view of his appointment as permanent CEO. The agreement relative to this one-off award contains a clause that triggers an accelerated vesting of the PSUs on the occurrence of a public takeover resulting in a change of control of the Company (i.e. the closing/first settlement date of a voluntary or mandatory public takeover bid on all shares of Balta Group NV).

2019 Long Term Incentive Plan
Also in 2019, a long term incentive plan (the "2019 LTIP") was implemented by the Board of Directors. The PSUs granted under the 2019 LTIP will vest to relevant managers that still provide services to the Balta Group on the second and third anniversaries of their award, to the extent that the Company's share price reaches certain defined targets. The clause allowing for accelerated PSU vesting in the event of the closing of a public takeover bid for the Company was approved by the Shareholders' Meeting of 28 May 2019, in accordance with article 7:151 of the Belgian Code on Companies and Associations.

Sale-and-leaseback
On 20 December 2019, the Company entered into a sale-and-leaseback agreement with three banks. If a third party gains control over the Company, the banks are entitled to terminate the agreement at their own discretion. This change of control clause was approved by the general Shareholders' Meeting of 26 May 2020 for approval in accordance with article 7:151 of the Belgian Code on Companies and Associations.

2020 Long Term Incentive Plan
On 5 March 2020, the Board of Directors approved a new long term incentive plan (the "2020 LTIP"). The PSUs granted under the 2020 LTIP will vest to relevant managers that still provide services to the Balta Group on the third anniversary of their award, to the extent that the Company's share price reaches certain defined targets. The clause allowing for accelerated PSU vesting in the event of the closing of a public takeover bid for the Company was approved by the Shareholders' Meeting of 26 May 2020, in accordance with article 7:151 of the Belgian Code on Companies and Associations.

Severance pay pursuant to the termination of contract of Board members or employees pursuant to a takeover bid
The Company has not concluded any agreement with its Board members or employees which would result in the payment of specific severance pay if, pursuant to a takeover bid, the Board members or employees resign, are dismissed or their employment agreements are terminated.

Please see section "Provisions concerning individual severance payments for Management Committee members / Termination Provisions" of this Corporate Governance Statement on termination provisions of the members of the Management Committee.

CONFLICTS OF INTEREST

Directors' conflicts of interest
Articles 7:96 and 7:97 of the Belgian Code on Companies and Associations provides for a special procedure if a director of the Company, save for certain exempted decisions or transactions, directly or indirectly has a personal financial interest that conflicts with a decision or transaction that falls within the Board of Directors' powers. The director concerned must inform the other directors before any decision of the Board of Directors is taken and the statutory auditor must also be notified. For listed companies, the director thus conflicted may not participate in the deliberation or vote on the conflicting decision or transaction.

Relevant section of the minutes of the Board of Directors of 24 January 2020:
Before the deliberation started, Mr Cyrille Ragoucy declared a conflict of interest, as defined in article 7:96 of the Belgian Code on Companies and Associations ("BCCA"), concerning several items on the agenda related to his remuneration.

The conflict results from the fact that Mr Ragoucy is both director of the Company and member of the Management Committee. The resolution to be adopted envisages the approval of the compensation and benefits packages of the members of the Management Committee.

In accordance with article 7:96 BCCA, Mr Cyrille Ragoucy refrained from taking part in the deliberations and from voting on the resolution. The statutory auditor of the Company will be informed of this conflict of interest.

The Board is of the opinion that the remuneration proposed is in accordance with market practice and justifiable for a Managing Director/CEO role with uncertain duration and limited benefits/notice period.

The fixed annual remuneration amounts to € 700,000 gross. Subject to satisfying all the performance objectives set by the Board of Directors, the target variable fee may be a maximum of € 560,000 gross.

Each of the other directors stated that he/she did not have any direct or indirect conflicting interest of a patrimonial nature with a resolution or operation upon which the Board of

Directors will decide during this meeting or as referred to under article 7:96 of the Belgian Code on Companies and Associations.

Relevant section of the minutes of the Board of Directors of 5 March 2020:
Before the deliberation started, Mr Cyrille Ragoucy declared a conflict of interest, as defined in article 7:96 of the Belgian Code on Companies and Associations ("BCCA"), concerning the following items on the agenda: the approval of the 2019 bonus for the members of the Management Committee and the general management, approval of the 2020 bonus methodology for the members of the Management Committee and the general management and the approval of the 2020 LTIP.

The conflict results from the fact that Mr Ragoucy is both director of the Company and member of the Management Committee. The resolutions to be adopted envisage the approval of the 2019 bonus pay-out, the approval of the methodology for the 2020 bonus and the 2020 LTIP. He is entitled to the 2019 and 2020 bonus, and as member of the Management Committee he is an eligible as beneficiary of the 2020 LTIP.

In accordance with article 7:96 BCCA, Mr Ragoucy refrained from taking part in the deliberations and from voting on those resolutions.

Variable remuneration encourages the contribution of the Managing Director/CEO to the strategy of the Company. The implementation of the LTIP is in the interest of the Company as it is intended to facilitate the recruiting and retaining personnel of outstanding ability.

The Board is of the opinion that variable remuneration and the LTIP are in accordance with market practice and justifiable for a Managing Director/CEO role.

The number of shares to be granted under the 2020 LTIP and the variable fee to be paid by the Company will depend on the share price reaching a defined target and on the performance criteria as set out in the bonus scheme being met.

Each of the other directors stated that he/she did not have any direct or indirect conflicting interest of a patrimonial nature in respect of a resolution or operation upon which the Board of directors will decide during this meeting or as referred to under article 7:96 BCCA.

Compliance with the 2020 Belgian Code on Corporate Governance
Balta is committed to high standards of corporate governance and to the 2020 Corporate Governance Code as a reference code for the financial year ending 31 December 2020. As the Corporate Governance Code is based on a "comply or explain" approach, the Board of Directors intends to comply with the Corporate Governance Code, except with respect to the following:

1) the articles of association allow the Company to grant shares, stock options and other securities vesting earlier than three years after their grant;

2) certain members of the Management Committee are entitled in certain circumstances to severance pay higher than 12 months of remuneration. This is due to binding agreements which were already in place at the time of the Company's IPO. All agreements with members of the Management Committee entered into by the Company after its IPO are in compliance with the 2020 Corporate Governance Code;

3) the group of directors appointed at the nomination of LSF 9 Balta Holdco S.à r.l., constitute a majority of the directors (5 out of 9) as a consequence of the majority of shares held by that company. This situation is specific to the Company's shareholding structure and is based on

nomination rights set out in the Company's articles of association. As LSF9 Balta HoldCo S.à r.l. reduces its shareholding below certain agreed percentages their right to appoint directors is also reduced (see above). The Remuneration and Nomination Committee aims to ensure, in consultation with LSF9 Balta Holdco S.à r.l., that the Board of Directors is well-balanced and that non-executive directors have complimentary skills and experience;

4) the chairman of the Board and the CEO are the same individual. The Board of Directors appointed its chairman as CEO. Following his mandate as interim CEO, during which he was instrumental in developing and starting to implement the NEXT programme, the Board of Directors requested that Mr Ragoucy assumed the role in a permanent capacity. Given his deep knowledge of the organisation and his strong track record of leading and driving strategy and profitability improvements, the Board of Directors is convinced that Mr Ragoucy is best placed to continue to drive and deliver the implementation of the Company's transformation programme;

5) the non-executive directors of the Board of Directors are not remunerated in shares, which are held until one year after they leave the Board of Directors and at least three years after the moment of the award. As the remuneration policy of the Company entails that the directors appointed upon nomination by LSF9 Balta Holdco S.à r.l. are not remunerated, they are also not entitled to shares. Their personal interests are aligned with the long term interests of the Company. Also the non-executive independent directors are not remunerated in shares, because the Company feels that they are sufficiently oriented to the creation of long term value for the Company and in this way they maintain their independent status. This will be reviewed annually;

6) the members of the Management Committee are not remunerated in shares. To ensure the personal interests of the Management Committee are aligned with the interests of long term shareholders, other mechanisms were put in place, i.e. LTIP and variable remuneration; and

7) the variable remuneration awarded to members of the Management Committee for 2020 was based upon Group (and divisional) financial targets and not on individual targets. Initially individual targets were set (such as plant safety tour walks), however due to COVID-19 pandemic measures, these individual targets were replaced by alternative Company objectives. This will be reviewed annually.

REMUNERATION REPORT

Introduction

The remuneration report for financial year 2020 has been restructured in order to further increase its transparency and to comply with the latest rules, regulations and guidance on the (standardised) presentation of the remuneration report, including the Shareholder Rights Directive and the related Belgian Implementation Act.

The remuneration paid to the members of the Board of Directors and the Management Committee in 2020 was in line with Balta's remuneration policy, as approved by the Shareholders' Meeting of 30 May 2017. During the financial year 2020, Balta did not deviate from the principles laid down in this remuneration policy.

In compliance with the new legislation, Balta will submit a new remuneration policy for the members of its Board of Directors and Management Committee, applicable as from 1 January 2021, to a vote at its Shareholders' Meeting on 26 May 2021. This remuneration policy continues the existing practices, while updating certain principles to better promote the long term interests of the Company and the alignment of all stakeholders. Balta will publish its new remuneration policy (together with the results of the vote) on its website after the Shareholders' Meeting.

Remuneration of directors

In accordance with the Company's remuneration principles, as decided by the Shareholders' Meeting dated 30 May 2017, only the independent directors of the Board of Directors are entitled to a (fixed) remuneration for their director's mandate. No director's remuneration was paid to the directors appointed upon nomination by LSF9 Balta Holdco S.à r.l.

The remuneration of the independent members of the Board of Directors was as follows in 2020:

- Annual independent director's fee of € 40,000 gross;
- Additional annual fee for each Committee membership of € 10,000 gross; and
- Additional annual fee for the chairman of the Board of Directors of € 70,000 gross.

The remuneration of the chairman of the Board of Directors is capped at € 120,000 gross. Since the chairman of the Board of Directors has been mandated as CEO of the Company, he is no longer remunerated for his director's mandate.

No other benefits were paid to the members of the Board of Directors for their director's mandate.

The actual remuneration granted to the directors in 2020:

Name / position	Chairmanship	Independent directorship	AC membership	RNC membership	Total
Cyrille Ragoucy CEO Chairman of the Board of Directors	-	-	-	-	-
Michael Kolbeck Non-executive director Chairman of the Remuneration and Nomination Committee	-	-	-	-	-
Jeremy Fryzuk Non-executive director Chairman of the Audit Committee	-	-	-	-	-
Accelium BV, represented by Nicolas Vanden Abeele Independent director	-	€ 36,344	€ 9,086	€ 9,086	€ 54,516
Sarah Hedger Independent director	-	€ 36,344	€ 9,086	€ 9,086	€ 54,516
Itzhak Wiesenfeld Independent director	-	€ 36,344	-	€ 9,086	€ 45,430
Neal Morar Non-executive director	-	-	-	-	-
Hannah Strong Non-executive director	-	-	-	-	-

Patrick Lebreton Non-executive director	-	-	-	-	-
Total	-	€ 109,032	€ 18,172	€ 27,258	€ 154,462

Due to COVID-19 and the impact thereof on the economy, the members of the Board of Directors and CEO decided to reduce their fixed fee with 50% during the period of 25 March 2020 until 31 May 2020.

Remuneration granted to the CEO and other members of the Management Committee
The remuneration for the members of the Management Committee was reviewed by the Board of Directors on 9 March 2021 on the basis of recommendations from the Remuneration and Nomination Committee of 4 March 2021.

In line with the Company's remuneration principles, as decided by the Shareholders' Meeting dated 30 May 2017, the remuneration of the members of the Management Committee included (i) a fixed annual fee, (ii) a variable annual fee (short term incentive plan ("STIP")), (iii) a long term incentive plan ("LTIP"), (iv) pension contributions, and (v) various other benefits.

(i) Fixed annual fee
For the financial year 2020, the CEO received a fixed annual fee of € 636,021 (gross) and the other members of the Management Committee received a total fixed annual fee of € 2,052,863.33 (gross).

(ii) Short term incentive plan ("STIP")
The short term incentive plan rewards the realisation of key financial performance indicators with targets recommended by the Remuneration and Nomination Committee and approved by the Board of Directors for the period from 1 January 2020 to 31 December 2020.

For the CEO, the CFO, the Group HR Director and the CTO, the STIP for 2020 was based on Group financial targets: 70% on Group Adjusted EBITDA and 30% on Group Seasonality Adjusted Net Debt. For the Managing Directors of the divisions (excluding Bentley), the STIP was based on the realisation of Group and divisional financial targets: 25% on Group Adjusted EBITDA, 50% on Divisional Adjusted EBITDA and 25% on Divisional Working Capital. For the Managing Director of Bentley the STIP was based on the realisation of Group and divisional financial targets and non-financial KPIs: 25% on Group Adjusted EBITDA, 25% on Divisional Adjusted EBITDA, 20% on Divisional Working Capital and 30% on non-financial KPIs.

The Remuneration and Nomination Committee evaluated achievement against the 2020 performance objectives for each member of the Management Committee and proposed their short term variable remuneration component to the Board of Directors. For Managing Directors of the divisions, discretion was applied to the proportion of STIP based on Divisional Working Capital. This is appropriate as strict application of the Working Capital formula led to an anomalous outcome due to the impact of the COVID-19 pandemic on monthly working capital flows in the year. The reduction of divisional working capital was a critical component in reducing the Group's Net Debt and was already reflected in the 100% achievement of the 30% Net Debt component for other members of the STIP. The Working Capital component of the STIP has therefore been set at 100% for Managing Directors of the divisions as well.

The aim of the variable fee is to create a high-performance culture through a cash bonus linked to performance against contracted deliverables with due regard to preventing excessive risk taking. This STIP is harmonised throughout the organisation. It is designed to reward the manager for the performance of the Company and its divisions over a one-year time horizon.

The variable remuneration is not spread over time.

In 2020, the target STIP was 80% of fixed annual remuneration for the CEO and, on average, 46% of annual fixed remuneration for other members of the Management Committee.

(iii) Long term incentive plan ("LTIP")
In 2018, the Board of Directors decided to implement annual Long Term Incentive Plans ("LTIPs") to create alignment between manager's and shareholders' interests. These LTIPs consist of Performance Share Units ("PSUs").

Overview LTIP

		Main conditions of LTIP			Information regarding the financial year	
Beneficiaries	Plan	Performance period	Award date	Vesting date	PSU awarded	Shares vested
Members of the Management Committee	2020	11/09/2020 – 11/08/2023	11/09/2020	11/08/2023	84,500	0
	2019	Period 1: 05/16/2019 – 05/15/2021 Period 2: 05/16/2019 – 05/15/2022	16/05/2019	Vesting date 1: 05/15/2021 Vesting date 2: 05/15/2022	343,500	0
	2018	07/01/2018 – 06/30/2021	07/01/2018	06/30/2021	46,666	0

The PSUs in the 2018 LTIP will vest to relevant managers that still provide services to the Balta Group on the third anniversary of their award and are converted into shares, to the extent that the Company's share price has reached defined targets with a minimum hurdle of € 13.25 per share required for any conversion. The 2018 LTIP was awarded to members of the Management Committee at that time.

In 2019, a similar LTIP was designed to drive the performance and long term growth of the Group by offering long term incentives to managers who contribute to such performance and growth, and was also intended to facilitate recruiting and retaining personnel of outstanding ability. The PSUs granted under the 2019 LTIP will vest to relevant managers that still provide services to the Group on the second and third anniversaries of their award, to the extent that the Company's share price has reached certain defined targets, all significantly above the current share price. The clause allowing for accelerated PSU vesting in the event of the closing of a public takeover bid for the Company was approved by the Shareholders' Meeting on 28 May 2019, in accordance with article 7:151 of the Belgian Code on Companies and Associations. The 2019 LTIP was awarded to the CEO and to the other members of the Management Committee.

For the same purposes, a 2020 LTIP was also implemented. The PSUs granted under the 2020 LTIP will vest to relevant managers that still provide services to the Balta Group on the third anniversary of their award, to the extent that the Company's share price reaches certain defined targets. The clause allowing for accelerated PSU vesting in the event of the closing of a public takeover bid for the Company was approved by the Shareholders' Meeting on 26 May 2020, in accordance with article 7:151 of the Belgian Code on Companies and Associations. The 2020 LTIP was awarded to the members of the Management Committee, except to the CEO.

(iv) Pension contributions
Members of the Management Committee can be entitled to affiliation with a Group insurance scheme.

(v) Other benefits
Members of the Management Committee can be entitled to a Company car or car allowance, lunch vouchers and fixed expenses.

(vi) Overall remuneration awarded to the CEO
as a member of the Management Committee
For the year ended 31 December 2020, the total remuneration of the CEO was as follows:

- Base salary (gross remuneration): € 636,021
- Variable remuneration (relating to performance in 2020, paid out in 2021): € 218,400
- Pension: nil
- Other compensation components (company car, fuel card and smartphone): € 12,720
- Within the framework of the 2020 LTIP, no PSUs were granted in 2020.

Upon his appointment as CEO, Mr Ragoucy was compensated for (a) the fact that no LTIP award was made to him in 2018 and (b) the loss of income connected to him giving up external roles. Therefore he was awarded a one-off package consisting of PSUs, which would vest subject to a significant increase in the Company's share price (i.e. to a minimum share price of € 13).

(vii) Remuneration awarded to the other Management Committee members
For the year ended 31 December 2020, the total remuneration of the other Management Committee members was as follows:

- Base salary (gross remuneration): € 1,994,765
- Variable remuneration (relating to performance in 2020, paid out in 2021): € 413,147
- Pension: € 41,922
- Other compensation components (car, insurance, lunch vouchers, representation allowances): € 86,900
- Within the framework of the 2020 LTIP, 84,500 PSUs were granted in 2020.

Overview remuneration

Name and position	Fixed annual fee	STIP	LTIP	Pension contributions	Various other benefits	Total remuneration	% of fixed and variable
Cyrille Ragoucy (CEO)	€ 636,021	€ 218,400	€ 0	€ 0	€ 12,720	€ 867,141	75% fixed, 25% variable
Other members of the Management Committee (total)	€ 1,994,765	€ 413,147	84,500 PSUs	€ 41,922	€ 86,900	€ 2,536,733	84% fixed, 16% variable

Due to COVID-19 and the impact thereof on the economy, the members of the Management Committee decided to reduce their fixed fee with 40% during the period of 25 March 2020 until 31 May 2020.

Changes to the remuneration policy since the end of 2020
No changes have been made to the remuneration policy since the end of 2020.

Provisions concerning individual severance payments for Management Committee members / Termination provisions
No changes were made to the termination provisions and no severance payments were made to Management Committee members leaving during 2020.

Other than in the case of termination in certain events of breach of contract, the CEO is entitled to a notice period of six (6) months or a termination fee equal to the proportion of the fixed fee that he would be entitled to during this six months' period.

Other than in the case of termination in certain events of breach of contract, the CFO is entitled to a minimum notice period of six (6) months. As an exception, in case of termination of the employment contract by the employer before 31 August 2021 directly resulting from a divestment or reorganisation, he will be entitled to a notice period of twelve (12) months. If the employer does not require him to perform his duties during the entire notice period, he will be entitled to an amount equal to his fees for the time of the notice period related to the nonperformed period.

Other than in certain cases of termination for breach of contract, Mr Marc Dessein is entitled to a notice period of eighteen (18) months and a termination fee equal to the relevant portion of his fixed and variable fee paid out in the preceding calendar year for early termination of the notice period.

Mr Dessein is subject to a noncompetition clause for a period of up to one (1) year from the date of termination or resignation, restricting his ability to work for competitors. He is entitled to receive compensation of an amount up to € 162,500 of remuneration if this non-competition clause is applied in full.

Mr Dessein's management agreement dates from before the IPO. The termination provision included in Mr Dessein's management agreement was justified given his skills and seniority.

Other than in the case of termination in certain events of breach of contract, Mr Oliver Forberich is entitled to a minimum notice period of six (6) months. As an exception, in case of termination of his employment contract by the employer before 31 December 2021 directly resulting from a divestment or reorganisation of the Residential division, he will be entitled to a notice period of twelve (12) months. If the employer does not require him to perform his duties for the entire notice period, he will be entitled to an amount equal to the fees for the time of the notice period related to the non-performed period.

Other than in the case of termination in certain events of breach of contract, Mr Stefan Claeys is entitled to a notice period of six (6) months or a termination fee equal to the proportion of the fixed fee that he would be entitled to during this six months' period.

Other than in the case of termination in certain events of breach of contract, Mr Emmanuel Rigaux is entitled to a minimum notice period of six (6) months. If the employer does not require him to perform his duties during the entire notice period, he will be entitled to an amount equal to the fees for the time of the notice period related to the non-performed period.

Other than in the case of termination in certain events of breach of contract, Mr Kris Willaert is entitled to a minimum notice period of six (6) months. If the employer does not require him to perform his duties during the entire notice period, he will be entitled to an amount equal to the fees for the time of the notice period related to the non-performed period.

The notice period of Mr Jim Harley can be negotiated, with a minimum of two (2) weeks.

Clawback provision regarding members of the Management Committee
There are no clawback provisions.

Compliance with remuneration policy, long term objectives and sustainability
Remuneration is aligned with current market practice and targets a market median position for the total salary package. The remuneration and remuneration system rewards individual performance. Short term variable pay incentivises actions and results in line with annual Company targets. Long term commitment to the Company is stimulated trough a share-based long term incentive plan, that takes into account the share price performance of the Company. Balta's remuneration rewards its employees fairly and appropriately regardless of gender, nationality or beliefs, and will solely be based on function and performance.

Derogations and deviations from the remuneration policy
There were no derogations or deviations in 2020, except for the calculation of the 25% of the STIP based on Divisional Working Capital as mentioned above.

Comparative information on change of remuneration and Company performance, and ratio

In 2020, the ratio between the highest remunerated executive and the least remunerated employee (on a full time equivalent basis) within the Company was 1.

Information on shareholder vote
The Shareholders' Meeting on 26 May 2020 approved the remuneration report for financial year 2019 with a majority of 93.2%.

	FY 2017 (1)	FY 2018	FY 2019	FY 2020
Board of Directors and Management Committee remuneration				
Board of Directors members' total remuneration	€ 124,584	€ 216,022	€ 162,930	€ 154,462
CEO's total remuneration	€ 584,000	€ 776,490	€ 990,664	€ 867,141
Management Committee members' total remuneration	€ 1,708,496	€ 1,353,114	€ 2,230,675	€ 2,536,733
Company performance				
Group Adjusted EBITDA	€ 84,381,000	€ 72,352,000	€ 74,356,000	€ 67,990,000
Average remuneration (on a full time equivalent basis) for employees				
Employees of the Company (2)	€ 584,000	€ 776,490	€ 990,664	€ 867,141

(1) As Balta Group NV was incorporated in 2017, only data as from 2017 can be mentioned.
(2) Only one individual has an employment agreement with Balta Group NV.

7. Risk management and internal control framework

Introduction
Balta operates a risk management and control framework in accordance with the Belgian Code on Companies and Associations and the Corporate Governance Code.

Balta is exposed to a wide variety of risks within the context of its business operations, possibly resulting in its objectives being affected or potentially not being achieved. Controlling such risks is a core task of the Board of Directors, the Management Committee and all other employees with managerial responsibilities.

The risk management and control system has been set up to achieve the following goals: achieving Balta's objectives, achieving operational excellence, ensuring correct and timely financial reporting and ensuring compliance with all applicable laws and regulations.

Control environment
The control environment constitutes the basis of the internal control and risk management system. The control environment is defined by a mix of formal and informal rules and corporate culture on which the operation of the business relies.

Three lines of defence
Balta applies the "three lines of defence model" to clarify roles, responsibilities and accountabilities, and to enhance communication within the area of risk and control:

- First line of defence: the line management is the first body responsible for assessing emerging risks continuously and implementing controls in response to these risks.
- Second line of defence: oversight functions such as Finance, Controlling, Safety Health Environment and Quality, Compliance and Legal oversee and challenge risk management as executed by the first line of defence. Those constituting the second line of defence provide guidance and direction and verify whether the first line of defence is properly designed, in place, and operating as intended.
- Third line of defence: internal audit provides the governing body and senior management with comprehensive assurance based on the highest level of independence and objectivity within the organisation, and challenges the risk management processes as executed by the first and second line of defence.

External auditors, regulators and other external bodies reside outside the organisation's structure, but they have an important role in the organisation's overall governance and control structure. When coordinated effectively, external auditors, regulators and other groups outside the organisation can be considered as additional lines of defence, providing assurance to the organisation's shareholders, including the governing body and senior management.

Policies, procedures and processes
Corporate culture is sustained by the implementation of different company-wide policies, procedures and processes such as the Balta compliance charter, the anti-fraud and anti-corruption policy, the gift and entertainment policy, the travel and expense note policy, the non-audit services policy, the reserved matters policy, the antitrust policy, the anti-money laundering policy, the delegation of authority policy, the economic sanctions policy, the data protection policy and data breach policy, and the quality management system. Both the Board of Directors and the Management Committee fully endorse these initiatives. Employees will be regularly informed and

trained on these subjects in order to develop sufficient risk management and control at all levels and in all areas of the organisation.

Balta is a company with an open culture, striving to uphold the outmost business ethics. As unethical behaviour might take place in most organisations, having an open corporate culture is not always enough to eliminate such unethical behaviour. For this reason, Balta has implemented a speak-up procedure, policy and tool in 2020. Cases which are reported in the tool are anonymously managed by a dedicated investigation team. General and discrete reporting on whistleblowing cases is provided to the Audit Committee.

Group-wide ERP system
The majority of Balta's entities operate the same group-wide ERP system, which is managed centrally. This system embeds the roles and responsibilities defined at group level. Through this system, the main flows are standardised, key internal controls are enforced and regular testing is carried out by the corporate finance department. The system also allows detailed monitoring of activities and direct central access to data.

Control activities
Control measures are in place to minimise the effect of risk on Balta's ability to achieve its objectives. These control activities are embedded in Balta's key processes and systems to ensure that the risk responses and Balta's overall objectives are carried out as designed. Control activities are conducted throughout the organisation, at all levels and within all departments.

The following control measures have been implemented at Balta: an authorisation cascade in the computer system, access and monitoring systems in the buildings, payment authorities, cycle counts of inventories, identification of machinery and equipment, daily monitoring of the cash position and an internal reporting system by means of which both financial data and operational data are reported on a regular basis. Deviations from budgets and previous reference periods are carefully analysed and explained. Great importance is attached to the security of all data stored in computer systems.

Information and communication
Balta recognises the importance of timely, complete and accurate communication and information, top-down as well as bottom-up. The Group therefore communicates operational and financial information at both divisional and group level. The general principle is to ensure consistent and timely communication to all stakeholders of all information impacting their area of responsibility.

All key business processes in the majority of the subsidiaries are managed through the ERP system. This not only offers extensive functionality with regard to internal reporting and communication, but also the ability to manage and audit access rights and authorisation management on a centralised basis.

The Management Committee also discusses the results on a monthly basis. The corporate finance department directs the information and communication process. For both internal and external reporting and communication, a financial calendar in which all reporting dates are set out is communicated to all parties involved.

Risk management
Sound risk management starts with identifying and assessing the risks associated with the business, in order to minimise such risks on the organisation's ability to achieve its objectives and to create value for its stakeholders.

All Balta employees are accountable for the timely identification and qualitative assessment of the risks within their area of responsibility.

Balta has identified and analysed its key corporate risks as disclosed under the “Summary of main risks” chapter of this Annual Report.

Risk management and internal control with regard to financial reporting
The accurate and consistent application of accounting rules throughout the Company is ensured by means of Finance and Accounting procedures and guidelines.

The accounting teams are responsible for producing the accounting figures, whereas the controlling teams check their validity. These checks include consistency tests, comparing current figures with historical and budget figures, as well as sample checks of transactions according to their materiality.

Specific internal control activities with respect to financial reporting are in place, including the use of a periodic closing and reporting checklist. This checklist ensures clear communication of timelines, the completeness of tasks and the clear assignment of responsibilities.

Uniform reporting of financial information throughout the organisation ensures a consistent flow of information, in turn allowing potential anomalies to be detected. The group-wide ERP system and management information tools give the central controlling team direct access to disaggregated financial and non-financial information.

An external financial calendar is planned in consultation with the Board of Directors and the Management Committee. This calendar is announced to external stakeholders via the investor relations section of our corporate website. The objective of this external financial reporting is to provide Balta stakeholders with the information necessary for making sound business decisions.

Supervision and monitoring of control mechanisms
Supervision and monitoring is mainly performed by the Board of Directors through the work of the Audit Committee and the Management Committee. Internal audit also reports to the Audit Committee on the risk-based audit plan. Risk-based auditing focuses on the analysis and management of the corporate, operational and strategic risks. The aim is to provide assurance to the Board of Directors and the Audit Committee that risk management processes are managing risks effectively and adequately in relation to the risk appetite. Moreover, the statutory auditor, in the context of reviewing the annual accounts, reports to the Audit Committee on their review of internal controls and risk management systems. In doing so, the statutory auditor focuses on the design and effectiveness of internal controls and systems relevant for the preparation of the financial statements.

SUMMARY OF MAIN RISKS

At Balta, risk management is an inherent part of doing business. The summary below, though not exhaustive, provides an overview of the main risks we were able to identify. While we take mitigating actions, we cannot guarantee that such risks will not materialise.

Market Competition
The global flooring market is competitive and each of our divisions face competition from other soft flooring manufacturers as well as hard flooring alternatives.

The key to our competitiveness is our ability to identify and respond to rapidly changing consumer preferences which require us to frequently renew our designs and product mixes, and to continuously innovate.

There is a clear upward trend in digital acceleration. In order to capture growing online demand and reduce cost-to-serve, we need to engage with customers, secure online presence, deploy new digital sales channels and build adequate e-commerce capabilities.

Customer dependency
Our main customers consist of large retailers and wholesalers with a substantial buying power. In 2020, our top three customers accounted for 14% of our revenue. We strive to successfully retain our key customers as they represent an important part of our sales. Moreover, we are dependent on our customers' continued success in their own markets.

In line with normal industry practice, we have no formal contracts with the majority of our customers. We typically deal with our customers on a non-exclusive basis without minimum purchase obligations.

General macro-economic and geopolitical events & trade regulations
Product demand depends significantly on consumer confidence and factors impacting both the residential and commercial renovation as well as the construction markets.

With production and distribution facilities in Belgium, Turkey and the United States, and sales in over 136 countries, we are exposed to geopolitical risk on both the demand and supply side.

As the United Kingdom represents 16% of our 2020 revenues, mainly resulting from our Residential business, the Group is exposed to the consequences of the United Kingdom's exit from the European Union (Brexit). Therefore Management assessed scenarios to be prepared for changes in our logistical flows. We concluded an in-depth assessment of the Brexit readiness of our logistics partners. The Group will continue to translate the impact of the Brexit-deal into practical measures.

In October 2020, we expanded to EU AEOF (Authorised Economic Operator), a certification for full authorisation (combining AEOS and AEOC), which certifies us to securely organise and protect our supply chains from threats. The Belgian customs authorities have audited all of our production sites in Belgium. AEOF is part of our plan to mitigate risks in post-Brexit export to the UK and is applicable for export to all non-EU countries. This will help to secure the continuation of a premium worldwide delivery service.

To be in possession of this certificate allows membership of the Custom Trade Partnership Against Terrorism (C-TPAT), a US Customs and Border Protection (CBP) voluntary private-public partnership programme. C-TPAT ensures that goods in the supply chain are legitimate and legal from manufacturer through to end-users. While it was originally set up to protect supply chains in the US from terrorist activity and illegal trade, it does minimise the potential risk for Balta when trading internationally.

Since the UK ceased to be a member of the EU as of 1 January 2021, it is Balta's plan to align with the requirements of the Common Foreign and Security Policy (CFSP). This is the organised, agreed foreign policy of the EU which encompasses security and defence diplomacy and actions. CFSP only deals with a specific part of the EU's external relations. Its domains include Trade and Commercial Policy as well as other areas such as funding to third countries. We will generally trade with the UK under CFSP status.

Additionally, measures have been taken to help protect the revenue stream from a potential devaluation of the Pound sterling by combining pricing mechanisms and hedging contracts.

Increased import duties or sanctions against the import of particular goods in certain countries could pose barriers to the success of our business.

Legal and compliance

Failure to comply with the laws of the countries we do business with may result in a delay or temporary suspension of our sales and operations which may impact our financial position.

Insufficient precautions or awareness regarding safeguarding confidential matters in our highly competitive market may lead to competitive disadvantages, loss of business intelligence and reputation damage.

Publicity and reputation

We may be affected by product recall or liability claims or otherwise be subject to adverse publicity.

Employees

Our ability to successfully execute our strategy depends on our efforts in attracting, retaining and developing our employees.

If the relationship with our employees or trade unions were to deteriorate, this could have an adverse impact on our business.

The COVID-19 outbreak came as an unprecedented event which disrupted our way of life and caused increased stress and anxiety for employees everywhere. The Company has explored options on how to provide additional physical and emotional support to its employees during this period of uncertainty. By focusing on delivering effective communication only, we addressed the impact of agile and remote working.

Raw materials and supply chain

We use large quantities of raw materials for which we depend on a limited number of suppliers. Most of these suppliers are large companies and can exert substantial supplier power. We have long-standing relationships with our key suppliers.

In 2020, raw material expenses represented 41,7% of our revenues. The key raw materials used were polypropylene, yarn, latex and polyamide. Together they represented approximately 70% of our total raw material expenses.

Raw material prices can be volatile and depend on factors that are often beyond our control. This includes, but is not limited to, local supply and demand balance, general economic conditions and fluctuations in commodity prices. The majority of our price agreements with customers do not include raw material price indexation mechanisms.

Reference is made to commodity price risk, as described under Note 27 of the section Financial Risk Management in the Financial Statements.

Production and logistics
The ability to produce and deliver products on time is key to both attracting new and retaining existing customers.

Disruptions at our manufacturing or distribution facilities may occur and could result in temporary shortfalls in production, late or incomplete deliveries or an increase in our cost of sales. We may incur losses that are completely or partially uninsured.

We do not have our own transportation facilities and depend on third-party service providers for a timely delivery of our products.

IT
Failure of our IT platform could hamper our ability to process orders on time. With the use of our IT platform, we manage our operations (including sales, customer service, logistics and administration). We have a complex and heterogeneous application landscape that consists of certain systems from prior acquisitions that have only been partially integrated, which could trigger operational risks.

Businesses are also contending with increasing cybercrime-related incidents, which require us to maintain adequate cyber security. Any failure to do so may adversely affect our operations.

Organisations are increasingly investing in digital transformation. Key technologies such as intelligent automation, artificial intelligence, low code application development, technological decision may guard businesses against future disruptions. Falling behind on these trends could lead to an increased vulnerability to disruptions and a disadvantage in competitiveness.

Financial
Our activities expose us to a variety of financial risks including, but not limited to, currency risk, interest rate risk, credit risk and liquidity risk.

Part of our sales and purchases are denominated in currencies other than the euro. Key currencies include Pound sterling, US dollar and Turkish lira. The fluctuation of these currencies versus the euro may impact our results. Additionally, a devaluation of currencies versus the euro for countries where our competitors manufacture or source raw materials, such as Turkey or Egypt, may have an impact on our competitiveness.

Some of our external borrowings carry interest at a variable rate.

Not all the credit risk exposure towards our customers is covered by our external credit insurance agreements. Amongst others, a reduction in external credit limits might cause the existing factoring not to be available at existing levels or cost going forward.

Changes in our own credit rating could detrimentally affect our working capital and liquidity.

Our external financing agreements include obligations, restrictions and covenants, which may have an adverse effect on our business, financial situation and operational result if we would be unable to meet these. More details on this can be found in Note 27 of the section Financial Risk Management in the Financial Statements.

Changes in tax legislation or accounting rules could affect future results.

Changes in assumptions underlying the carrying value of our assets could result in an impairment of such assets, including intangible assets such as goodwill.

In March 2021, Balta received strong support for its February 2021 exchange offer (the "Exchange Offer") on its 7.75% Senior Secured Notes due September 2022 ("Existing Notes"). Eligible holders of Existing Notes validly tendered 99.22% of aggregate principal amount, to exchange the Existing Notes for new Senior Secured Notes with a maturity of 31 December, 2024. Consents were received to (i) substantially remove all covenants, other obligations and certain events of default under the indenture of the Existing Notes, (ii) amend the existing indenture and the Existing Notes such that (A) all guarantors are released from their obligations under the existing guarantees, (B) all liens in collateral granted for the benefit of the existing noteholders are released, (C) the interest rate applicable to the Existing Notes is reduced to 3.00% per annum and (D) the maturity date of the Existing Notes is extended to 31 December, 2030. Consequently, the maturity of our € 61m European super Senior Secured Notes Revolving Credit Facility automatically extended to 30 June 2024. The Exchange Offer substantially improved Balta's debt maturity profile and will enable Balta to further execute its strategy. We continue to monitor the markets closely to identify the best possible window for future refinancing of our debt, at the right time and under the right terms and conditions.

Reference is made to the risk factors referred to in Note 27 of the section financial risk management in the Financial Statements.

Next Programme
As a result of the strategic and operational review, we launched the transformational programme called "NEXT". This programme is designed to deliver a significant improvement in earnings over a three-year period. The key initiatives focus on delivering sustainable growth, improving commercial excellence and increasing cost competitiveness through Lean initiatives and procurement savings. While our NEXT commercial initiatives are essential for addressing pricing, entering new and existing markets and increasing service levels, we may be delayed or fall below our expectations on the anticipated improvements in earnings.

Sustainibility
Customer expectations on delivering sustainable products are increasingly demanding and challenging. The risk of not meeting new technology, sustainability requirements and missing out on market developments may lead to competitive disadvantages as well as significant loss of share. Failing to integrate sustainability as a part of the Group strategy can affect future competitiveness, long term value creation and Group longevity.

In the near future, the carpets and rugs industry will be confronted with more stringent legislation about Extended Producer Responsibility (EPR). In order to implement these new regulations Balta will need to engage with national and international sector federations. In 2020, Balta incorporated a Sustainability Committee as a next step towards more effective management of sustainability within the Group.

Global warming or the effect of climate change has resulted in new material climate-related risks (physical and transition risks, mobility and transport, sourcing raw materials, etc.) which may have significant impacts on our reputation, access to finance, cost of complying with new regulations, business profitability and long term resilience.

COVID-19

Pandemics such as COVID-19 have the capacity to severely impact the Group's earnings by interrupting supply chains, reducing demand and disrupting the workforce. The Group addressed short-term COVID-19 risks by securing financial stability, achieving a lower and more agile cost structure, adapting operations, engaging with customers and increasing resilience. There is no doubt that the pandemic has caused permanent changes in the way individuals live, the way the government serves citizens and how businesses operate. Making it possible to face mid- and long-term risks, the Group also closely screens changes in the global economy, technology evolution, shifts in societal norms and consumer behaviour, and reframes the enterprise so it is ready for the new value-based economy.

8. *Renumeration report*

The renumeration report is included by the Board in the annual Corporate Governance Statement.

The Remuneration and Nomination Committee advises the Board and consist of all non-executive directors and a majority of them being independent directors.

The following directors form the Remuneration and Nomination Committee: Michael Kolbeck, Sarah Hedger, Itzhak Wiesenfeld and Nicolas Van Den Abeele (providing services through Accelium BVBA).

9. *Information concerning permanent establishments of the Company*

In accordance with article 3:6, §1, 5° of the Belgian Companies Code the annual report contains information on the permanent establishments of the Company.

We confirm there are no permanent establishments.

10. *Justification of the application of the valuation rules*

In the case the balance shows a loss carried forward or the income statement of the financial year and the income statement of the previous year shows a loss in two consecutive periods, in accordance with article 3:6, §1, 6° of the Belgian Companies Code, the annual report contains a justification of the application of the valuation rules under going concern.

The Company incurred a number of one-off costs which related to the formation of the Company and the IPO. These one-off costs have been financed with cash received from the capital increase. The remaining portion of the capital increase received in cash was used to perform a capital increase in LSF9 Balta Issuer S.à r.l.

The Board proposes to apply the valuation rules under going concern.

11. ***Information of the use of financial instruments***

In accordance with article 3:6, §1, 8° of the Belgian Companies Code, the annual report contains information concerning the use of financial instruments by the Company and the risk management.

The Company doesn’t use financial instruments.

12. ***Discharge directors and auditor***

We ask to individually discharge the directors and the auditor for the execution of their mandate.

Done at Wielsbeke on April 23rd, 2021.

The Board of Directors

RAGOUCY Cyrille
Chairman

Accelium BV
Permanently represented by
VAN DEN ABEELE Nicolas
Director

KOLBECK Michael
Director

MORAR Neal
Director

HEDGER Sarah
Director

STRONG Hannah
Director

FRYZUK Jeremy
Director

LEBRETON Patrick
Director

WIESENFELD Itzhak
Director