



Corporate Governance Charter

1 April 2020

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Introduction

On 17 May 2019, the Belgian Corporate Governance Committee published the 2020 edition of the Belgian Corporate Governance Code (the **Code**). On 12 May 2019, a Royal Decree designated the Code as the new reference code for listed companies.

Melexis NV (the **Company**) is listed since October 1997. Corporate Governance has always been an important, ever-developing tool in order for the Company to ensure that it serves the interests of its stakeholders and of the shareholders in particular. The Company complies with the principles of good management and transparency as laid down in the principles and provisions of the Code and applies the Code as reference code. The Company provides an overview of the provisions of the Code it does not comply with in its annual Corporate Governance Statement.

This Corporate Governance Charter was last amended in April 2020.

Together with the Articles of Association of the Company, the Corporate Governance Charter provides a reliable framework for the organisation of the management of the Company.

1. Structure and organisation

1.1. Legal structure

Melexis NV is a public limited liability company (*naamloze vennootschap*) established under Belgian law, with registered office in 8900 Ieper, Rozendaalstraat 12 which has made public offerings of securities.

It is governed by a one tier-board. The executive management (the **Executive Management**) is organised as an executive committee (*directiecomité*) at the level of the Company's subsidiary Melexis Technologies NV, until the next amendment of the Articles of Association of the latter. The Board reviews on a regular basis (annually) the structure of the Executive Management.

The Company is a shareholder of subsidiary companies, either directly or indirectly through other companies. An overview of the **Melexis Group** can be found in the Annual Report on the website.

1.2. Company organisation

Two pillars, Business Creation and Business Foundation, reflect the structure of the Company's organisation.

Within Business Creation, The Vice President Corporate Strategy defines the direction of the product portfolio, reporting directly to the CEO.

The business of the Company is divided into several business units. Each business unit has a portfolio of activities focused on a specific product segment / market with common objectives and strategies. Each business unit is led by a Vice President, accountable for managing the business globally with focus on our customers' interests and reporting directly to the CEO.

Within Business Foundation, the other Vice Presidents are responsible for functional excellence and compliance in their respective domains and also report to the CEO.

A description of the Company's business and functional units can be found at www.melexis.com.

2. Shareholder structure

2.1. Majority shareholders

The shareholder structure – as appears from notifications under the Transparency Act and voluntary notifications – is included each year in the Annual Report. These disclosures show that the controlling shareholder of Melexis is Xtrion NV.

The current shareholder structure can be found on Melexis' website at:
<https://www.melexis.com/en/investors/share-information/shareholders-structure>

2.2. Direct or indirect relationships between the Company and its major shareholders

Xtrion NV is the controlling shareholder of Melexis. The shares of Xtrion NV are controlled directly and/or indirectly by Mr. Roland Duchâtelet, Mr. Rudi De winter and Mrs. Françoise Chombar. Mr. Duchâtelet and Mrs. Chombar are Directors at Melexis NV.

The Board of Directors encourages the controlling shareholders to express their strategic goals and to make judicious use of their position in order to avoid potential conflicts of interests. The further formalization of the relationship between the Company and its controlling shareholders through a relationship agreement is not considered a necessity today.

2.3. Dialogue with the shareholders

The Company strives to maintain a permanent dialogue with shareholders and investors to gain insights in their goals and expectations. The Investor Relations department manages among others agenda and organization of dedicated events for this purpose. The Board of Directors discusses at least once a year the feedback resulting from this dialogue. Next to that, the Board of Directors ensures that all shareholders are treated equally.

The Company encourages the shareholders to take part in the General Meetings. The Chairman of the General Meeting ensures that each relevant question of the shareholders is properly answered.

Shareholder and investor information, such as the Articles of Association of Melexis, the calendar, participation formalities, proxy forms and all other relevant information in respect of General Meetings, information with respect to the Company's strategy and development, half-yearly and annual results and all other legally required information are published on Melexis' website: www.melexis.com/investor.aspx.

3. Board of Directors – terms of reference

3.1. Role, responsibilities and powers

3.1.1. Role

The Board of Directors is the Company's supreme decision-making body and has the most extensive decision powers, except for those decisions reserved by company law or the Articles of Association to the General Meeting.

The basic principle supporting the decisions of the Board of Directors is to maintain a successful Company in the field of semiconductor components primarily for use in the automotive industry and equally for use in the consumer, industrial and medical markets. However, this does not mean that additional activities may not be considered.

3.1.2. Responsibilities

The main responsibilities of the Board of Directors relate to giving strategic direction, on the medium and long term, to the Company and the supervision of the state of affairs in order to establish sustainable value creation and a balance between the legitimate interests of the shareholders and other stakeholders of the Company. In this context, the key tasks of the Board of Directors are:

- to identify and understand strategic challenges and the corresponding opportunities and risks for the Company;
- to establish the Company's strategy, corporate culture, ethics and values, key policies and standards that may influence the way in which the strategic objectives are achieved;

The strategic focus of the Board of Directors is primarily aimed at the development of the business activities, financial and risk management and the guarantee that the Company has the leadership available that is most suited in order to meet the strategic objectives. For those purposes, the Board of Directors will:

- hold regular strategic meetings to assess the market position and strategies of the business, to discuss the strategy proposals and to decide on strategies that will be implemented under the management of the CEO;
- based on proposals from the CEO:
 - assess and approve the Company's financial objectives, including the risk appetite and the corresponding capital needs, and non-financial objectives;
 - assess and approve the strategies intended to achieve and maintain the intended capital levels and structure;
- to assess and supervise the performance of the Company in relation to the strategic objectives, plans and budgets;
- to provide a framework on the evaluation of the Company in relation with compliance regulations;

- to provide for a high-quality Annual Report, that includes an outlook on the performance of the Company and information on issues of social concern, such as environmental and social indicators;
- to take all necessary measures to ensure the integrity and timely disclosure of the Company's financial statements and other material financial and non-financial information disclosed to the shareholders and potential shareholders;
- to approve a framework of internal control and risk management set up by the Executive Management, to be disclosed in the Corporate Governance Statement in the annual report, and review the implementation of this framework, taking into account the review made by the Audit Committee;
- to supervise the performance and the independence of the statutory auditor (the **External Auditor**) and supervise the internal audit function, taking into account the review made by the Audit Committee;
- to establish board committees, in order to improve the functioning of the Board of Directors, and to review their effectiveness;
- to maintain a continuous interaction with the Executive Management and guide it in the following ways:
 - to decide on the Executive Management structure and determine the powers and duties entrusted to the Executive Management;
 - to support the Executive Management in the execution of its tasks, approving the operational plans and key policies developed by it as well as to challenge it in a constructive way;
 - to review Executive Management performance on the basis of performance indicators;
 - to appoint and dismiss the CEO and the other members of the Executive Management and to provide a succession plan, taking into account the advice of the Nomination and Remuneration Committee;
 - to create a climate of respect, trust and openness and a culture of dialogue with the Executive Management.
- to determine the Company's remuneration policy for non-executive Directors and members of the Executive Management, taking into account the advice of the Nomination and Remuneration Committee;
- to propose appointment procedures and objective selection criteria, to make concrete propositions to the General Meeting in relation to the (re)nomination of Directors and to determine and periodically review the Company's plans for the orderly succession of Directors, taking into account the advice of the Nomination and Remuneration Committee;
- to resolve on subjects reserved to the Board of Directors, such as:
 - all decisions on proposals to be presented to the General Meeting;
 - decisions relating to the Company's management, including the appointment of the Chairman of the Board of Directors, as well as the Executive Management, the composition and the definition of the roles and responsibilities of the board committees, the definition of the roles and responsibilities of the CEO;
 - important business decisions, including:
 - approving business plans and budgets;

- any transaction, regardless of the amount, considered by the CEO to be submitted to the Board of Directors for a decision with respect to the nature or the importance of the risks involved;
- the Company's accounting principles, in accordance with the accounting standards generally applicable and the definition of all public financial information;
- proposals in relation to the (interim) dividend and financing transactions that may affect the subscribed capital.

3.1.3. Powers

From a legal point of view, the Board of Directors has the power to take all action that is necessary or useful for the implementation of the object of the Company, with the exception of the powers reserved by law or by the articles of association to General Meeting. The Board of Directors has the power and duty to use effective, necessary and proportionate means to fulfil its duties.

The Company is legally represented by (a) any two Directors acting jointly, (b) the CEO for decisions within the daily management of the Company or (c) any proxy holders as indicated by and within the limits set by the Board of Directors or the CEO.

3.1.4. Directors serve with integrity

All Directors maintain the highest standards of integrity and honesty. They show an independent spirit and always act in the Company's interest. In the execution of their responsibilities, the Directors make an objective and independent assessment. They improve their skills as well as their knowledge of the Company in order to be able to fulfil their role, both on the Board of Directors and in the board committees where they serve.

3.2. Composition

3.2.1. Directors

The Company is governed by a Board of Directors composed of at least five members. At least half of the Board of Directors are non-executive Directors, of which at least three are independent in accordance with article 7:87 of the Belgian Companies and Associations Code (**BCAC**). The independent directors meet all independence criteria under recommendation 3.5 of the Code. Exceptions must be duly motivated and approved by the General Meeting.

Any independent Director who no longer satisfies the criteria to qualify as independent, must immediately notify the Board of Directors accordingly.

The actual number of Directors may vary, depending on the Company's needs and efficient decision-making. The composition of the Board depends on the evolution of the Company over time as well, e.g. generation of new activities, change in ownership, etc.

Non-executive directors do not hold more than five director's mandates in listed companies.

3.2.2. Admission requirements

The Board of Directors applies the following policy guidelines when proposing a new Director to the General Meeting:

- ensuring a majority of non-executive Directors;
- every Director is proposed on the basis of his/her specific know-how and experience, so that the Board of Directors as a whole has the necessary skills and qualifications to fulfil its duties;
- verifying that every Director is able to commit sufficient availability to accomplish his/her duties;
- verifying that every Director, executive or non-executive, and with respect to the latter, regardless of whether or not they are independent, must have sufficient capacity to make independent judgement;
- the Board of Directors is composed of Directors of different nationalities; an important and fair representation of the Directors reflects the interest of the business and markets of the Company;
- the capabilities, knowledge, experience and a competency profile of a director are determined before every appointment of new Directors. The Board of Directors aims at achieving the largest possible diversity and complementarity between the board members.

The Chairman should ensure that, before considering the candidate, the Board of Directors has received sufficient information such as the candidate's curriculum vitae, an assessment of the candidate based on the candidate's initial interview, a list of the positions held by the candidate, and, if applicable, the necessary information about the candidate's independence.

Candidates for vacant or additional director seats are nominated by the Board of Directors at the General Meeting, after obtaining advice of the Nomination and Remuneration Committee.

Should the Board of Directors consider appointing the previous CEO as a Director, it will ensure that the necessary safeguards are put in place to ensure that the new CEO gets the required autonomy. If the Board would consider appointing a previous CEO as Chairman of the Board of Directors, the positive and negative implications of such a decision would be carefully weighed against each other and the Corporate Governance Statement would state why such appointment would not impede the required autonomy of the CEO.

3.2.3. Appointments

The Nomination and Remuneration Committee evaluates whether the admission requirements are complied with before making a proposal to appoint a Director to the Board. The Chairman reports to the Nomination and Remuneration Committee on the progress made in order to allow the Nomination and Remuneration Committee to make a reasoned recommendation to the Board.

The Board of Directors submits its proposals for appointment and reappointment of Directors to the General Meeting based on the advice of the Nomination and Remuneration Committee. Proposals from the Board of Directors or from the shareholders for appointment or reappointment are notified 30 days before the General Meeting, together with the other items on the agenda (or pursuant to article 7:128 BCAC). The proposal elaborates on the duration of proposed mandate, the professional qualification of the candidate, his/her previous functions and compliance or not with the independence criteria.

The General Meeting discusses and resolves, on a separate basis, on the appointment or reappointment of Directors by a majority of the votes cast. The General Meeting may dismiss Directors before the end of their mandate by a majority of the votes cast.

The Board of Directors follows the appointment and reappointment process as part of a global supervisory plan, so that an adapted level of skills, experience and expertise is maintained in the Company and the Board of Directors.

3.2.4. Professional development and succession

Every new director gets an appropriate, comprehensive and formal induction which provides insight in Melexis. This includes insights in its management, strategy, values, policy guidelines, governance, activities, business challenges, finance, risk management and internal control systems. The induction includes visiting sites and meeting senior management.

The Directors are expected to keep up their skills and knowledge of Melexis on a permanent basis. The Company will guide the Directors throughout this process and provide the necessary means.

There is an internal procedure in place that ensures the orderly and timely succession of Directors.

3.2.5. Term

The duration of a Director's mandate may not exceed four years. Directors can be reappointed for consecutive terms of four years.

According to article 7.87 BCAC and recommendation 3.5 of the Code, independent Directors shall not serve for more than 12 consecutive years. Other Directors have no limited tenure.

In the event that a Director leaves before the end of his/her mandate, Belgian legislation provides the possibility for the remaining Directors to appoint a new Director. Confirmation of this appointment shall be subject to a decision by the next General Meeting.

3.2.6. Evaluation

a) Evaluation of the Board of Directors

The effectiveness of the Board of Directors and its committees is monitored and reviewed every three years in order to achieve possible improvements in the management of the Company, according to a formal procedure and methodology, which includes an anonymous online survey, feedback session on the outcome of the survey and discussion during one of the meetings of the Board of Directors on the outcome.

In the evaluation special attention is paid to:

- the functioning of the Board of Directors and its relevant committees;
- the thoroughness with which important issues are prepared and discussed;
- the effectiveness of the interaction with Executive Management.

In addition to this, the Board of Directors evaluates every five years if the current one tier governance structure of the Company is still appropriate.

The Chairman remains available at all times to consider suggestions for improvement of the functioning of the Board or the board committees.

b) Evaluation of the individual Board Members

The non-executive Directors will also make an evaluation of their interaction with the Executive Management, whereby they meet in the absence of the executive Directors.

The number of meetings of the Board of Directors, as well as the individual attendance rate of the Directors at these meetings, is published in the Corporate Governance Statement.

At the end of the mandate of each Director, the Nomination and Remuneration Committee evaluates the presence of the Director in the meetings of the Board of Director and the committees, as well as the engagement and constructive commitment of the Director.

The Board of Directors acts on the basis of the results of the performance evaluation.

3.3. Chairmanship of the Board of Directors

The Board of Directors elects a chairman amongst its members (the **Chairman**). The Chairman is appointed on the basis of his/her knowledge, skills, experience and mediation strength.

The position of Chairman cannot be combined with the position of CEO.

In case of absence of the Chairman, the most senior Director present chairs the Board meeting. If one or more Directors are legal persons, the age of the permanent representative who represents that legal person shall be decisive.

The Chairman is responsible for the leadership of the Board of Directors. He takes the necessary measures to develop a climate of trust within the Board of Directors, contributing to open discussion, constructive dissent and support for the Board's decisions.

The Chairman has a particular role in the Corporate Governance of the Company. This role is, among others,

- to supervise the composition of the Board of Directors. The Chairman takes the initiative where necessary and conducts/leads the processes, assisted by the Nomination and Remuneration Committee, aimed at:
 - formulating the requirements in terms of independence, competence and qualifications of Directors;
 - the appointment or reappointment of Directors and the members of the board committees;
 - the evaluation of the efficiency of the functioning of the Board of Directors as a whole;
 - the appointment or dismissal, evaluation and remuneration of the CEO;
- to ensure the efficient and effective functioning of the Board of Directors by:
 - ensuring a clear and common concept of and respect for the respective roles and responsibilities of each corporate body;
 - planning the meetings of the Board of Directors. The Chairman schedules the meetings of the Board of Directors and the board committees, after consultation with the CEO and Company Secretary. He prepares the general agenda of the Board of Directors with the subjects that must be discussed during the year as well as the agenda for each meeting;

- preparing, chairing and leading the meetings of the Board of Directors. Executive Management consults the Chairman on all proposals before they are presented to the Board of Directors;
 - supervising the quality of the continuous interaction and dialogue at Board level;
 - supervising the timely and qualitative provision of information to the Directors in preparation of Board meetings;
 - supervising the compliance of the procedures in relation to preparation, deliberation, approval of resolutions and execution of decisions;
 - ensuring that new Directors receive an appropriate induction so that they are appropriately familiarised with the Company, to ensure their swift contribution to the Board of Directors;
- to chair the General Meetings and to ensure the efficiency of those meetings;
 - to represent and support the interests of the Company, at the request of the CEO, by maintaining contacts with external institutions and by participating in external forums;
 - to maintain close relations with the CEO, providing support and advice, while respecting the executive responsibilities of the CEO; and
 - to ensure effective communication with the shareholders and to assure that the Directors gain and maintain an understanding of the views of the shareholders and other key stakeholders.

3.4. Functioning of the Board of Directors

3.4.1. Organisation

The Board of Directors is convened at least four times per year by the Chairman, and whenever the interests of the Company so require.

Directors are expected to attend the meetings regularly and in person and to spend sufficient time to allow them to fulfil their duties. Should they be unable to attend in person, the Directors may participate by means of telephone conference or other means of communication. They are also available outside the formal Board meetings to advise on the strategic direction of the Company and express their views on diverse matters.

Non-executive Directors meet once a year in the absence of the CEO and the other members of the Executive Management.

3.4.2. Quorum and majority

The Board of Directors may only validly deliberate if at least half of the Directors are present or represented. A Director may be represented by another Director by means of a signed proxy. If the presence quorum is not reached, a second meeting of the Board of Directors can be convened with the same agenda, which will be able to validly deliberate on that same agenda provided at least two directors are physically present.

The Board of Directors functions as a collegial body. Decisions are made by a simple majority of the votes cast. Blank or invalid votes are considered not having been cast.

3.4.3. Minutes

The deliberations of the Board of Directors are recorded in the minutes, which are signed by those Directors present. The minutes give a summary of the meetings, including the different opinions of the Directors and the decisions. The Directors who intervene in the meetings, are only specified in the minutes at their express request. The proxies are attached to the minutes.

3.4.4. Access to external expertise

Individual Directors and committees can at all times, via the Chairman of the Board, request access to external experts at the Company's expense (legal advisers, consultants, tax advisers, etc.). The Company Secretary assists the Chairman in coordinating these request.

3.5. Board Committees

The Board of Directors has set up a Nomination and Remuneration Committee in accordance with article 7:99 BCAC and an Audit Committee in accordance with article 7:100 BCAC. The existence of these board committees does not prevent the Board of Directors from setting up additional ad hoc committees, if considered necessary, to deal with specific issues.

3.6. Company Secretary

The Company Secretary assists and advises the Board of Directors, the Chairman, the committee chairmen and all Directors in the execution of their general and specific duties and responsibilities.

Directors have individual access to the Company Secretary.

The core duties of the Company Secretary are (i) providing advice in relation to compliance by the corporate bodies with company law, the Articles of Association and the internal terms of reference and procedures, including this Corporate Governance Charter, (ii) providing assistance in organising the General Meetings, and (iii) where requested, acting as the Secretary of the Board of Directors and its board committees.

3.7. Code of Conduct

3.7.1. Application of a Code of Conduct

Each Director shall abide by the principles of integrity and ethically responsible conduct also applicable to the Executive Management and other members of staff. The Board of Directors is responsible for the approval and yearly evaluation of adherence to the Code of Conduct. These principles are described in the Melexis Code of Conduct: <https://www.melexis.com/en/investors/corporate-governance/supervision-and-compliance>.

3.7.2. Independent Directors

Independent Directors are not permitted to enter into agreements with the Company either directly or indirectly intended for the delivery of paid services (e.g. accounting, consultancy, legal advice, ...), except with written consent from the Board of Directors and only for one-off transactions that are not such as to threaten the independence of the Director, as defined in article 7:87 BCAC.

Independent Directors are requested to consult the Chairman, who will subsequently decide whether a request for exemption will or will not be submitted to the Board of Directors. The remuneration awarded and the reason for the exemption shall be published in the Annual Report. Any transactions between Directors and the Company, including its subsidiaries, must be at arm's length.

3.7.3. Interaction with the Executive Management

The Directors and the Executive Management are encouraged to approach each other at their own initiative whenever a need arises. The Directors are available for advice, also outside the Board of Directors meetings.

3.7.4. Interaction with investors, media and others

Directors may, at the request of or after consultation with the Chairman, or at the request of the CEO, participate in communication activities. In particular, the Directors are expected to support the opinion of the Board of Directors regarding the strategy, management and activities in the public and private sphere.

Directors shall refrain from making individual contact with investors, media and others, without getting a consensus with the CEO in advance.

3.7.5. Duty of confidentiality

Directors ensure that they receive all relevant information for the performance of their duties. The Directors may only use the information available to them in their capacity as Director within the framework of their mandate. Directors shall treat any confidential information received in their capacity with care and shall not under any circumstances divulge it. The Directors shall communicate to the Board all information at their disposal, which may be relevant to the decision-making of the Board. In the case of sensitive or confidential information, the Director concerned shall consult the Chairman.

4. Board committees – terms of reference

4.1. General terms applicable to all board committees

4.1.1. Role and responsibilities

The board committees have an advisory function with regard to the Board of Directors. They assist the Board of Directors and make recommendations, based on their knowledge and expertise. Only the Board of Directors

has the final decision-making power. Strategy development is not and will not be delegated to one of the committees.

The role and responsibilities of the board committees are stipulated by the Board of Directors and defined in the terms of reference, contained in this Corporate Governance Charter. The terms of reference are reviewed every three years, either by the board committees themselves or at the initiative of the Board of Directors. The recommendations for changes are submitted to the Board of Directors, whenever necessary.

Each board committee has the power and duty to use effective, necessary and proportionate means to fulfil its mission (including the power to call upon external advisors), and is responsible for the correct exercise of these responsibilities and duties to the Board of Directors.

4.1.2. Composition

The Board of Directors appoints the chairman and members of the board committees. Each committee consists of at least three Directors. As a rule, the composition of every board committee may be reviewed on an annual basis. The composition may also be reviewed if a board committee member has reached the end of his/her mandate as Director, even if his/her reappointment as a Director is proposed to the General Meeting.

The appointment of the members of board committees is based on (i) their specific competence and experience, and (ii) the condition that every board committee as a whole has the necessary competence and experience to perform its tasks.

4.1.3. Chairmanship

The role of the chairman of a board committee includes, with the support of the Chairman and if necessary the CEO, ensuring that the board committee (i) understands its role and responsibilities, (ii) has all information and internal or external support to execute its tasks adequately, and (iii) fulfils all its responsibilities in accordance with these general terms and all statutory and regulatory provisions of the board committee.

4.1.4. Functioning of the committees

In order to gain the right insights and relevant information, (members of) the Executive Management or any other relevant person can be invited to join meetings of the committees.

In case of urgency, meetings of the committees can be held by conference call or video conference. Committees can gain independent professional advice of which the cost will be expensed by the Company. The Company Secretary assists the committees with the coordination of such request for advice.

After every meeting of a committees, minutes and oral feedback are delivered to the Board of Directors.

4.2. Terms of reference of the Nomination and Remuneration Committee

4.2.1. Composition

The Nomination and Remuneration Committee is composed of only non-executive Directors, the majority of which are independent Directors, so that it can give a proper, independent judgement. The members are appointed by the Board of Directors after due consultation. The CEO attends the meetings of the Nomination and Remuneration Committee in an advisory role, whenever the remuneration of the members of the Executive Management, except the CEO, is discussed.

The Nomination and Remuneration Committee serves as the remuneration committee as provided by article 7:100 BCAC.

4.2.2. Meetings

The Nomination and Remuneration Committee meets at least twice a year. Other meetings, if required, are convened by the Chairman. Any member of the Nomination and Remuneration Committee or the CEO can request the Chairman to convene a meeting of the Nomination and Remuneration Committee.

A director may not attend that part of the meeting of the Nomination and Remuneration Committee at which his/her appointment, re-appointment or removal is discussed, or be involved in any advice on those matters.

4.2.3. Role and responsibilities

The role and responsibilities of the Nomination and Remuneration Committee are threefold:

- (i) With respect to **nominations**,
 - supervision of the principles and requirements (independence requirements, competence and qualifications) that govern the selection and appointment of Directors;
 - recommendations to the Board of Directors concerning the appointment or reappointment of Directors and concerning the appointment or dismissal of the CEO and other members of the Executive Management; the recommendation of the Nomination and Remuneration Committee for the appointment or the dismissal of the CEO is based on a proposal from the Chairman;
 - carrying out the procedure concerning the reappointment and succession of the Chairman according to a procedure stipulated by the Nomination and Remuneration Committee after consultation of the Chairman;
 - development of plans for the orderly succession of Directors and succession of the members of the Executive Management.
- (ii) With respect to **performance evaluation**,
 - proposals regarding the performance targets for the CEO and all other members of the Executive Management;

- annual assessment of performance of the Executive Management;
 - evaluation of each Director's attendance at the Board of Directors and committee meetings and his/her commitment and constructive involvement in discussions and decision-making at the end of the Director's term.
- (iii) With respect to the **remuneration**,
- the Nomination and Remuneration Committee serves as a remuneration committee as defined in article 7:100 BCAC;
 - advising the Board of Directors concerning the way in which the achievement of the Company's strategic objectives may be promoted by adopting an appropriate remuneration programme; supervision and advise on the development of the remuneration, allocation of variable pay, awarding of shares and additional benefits for the Executive Management;
 - advising on the remuneration policy for the non-executive Directors and the Executive Management;
 - preparing the remuneration report and presenting the remuneration report to the General Meeting;
 - supervision of the processes that governs the appointment and remuneration of Directors and Executive Management;
 - advising with regard to the individual remuneration of the Directors and the Executive Management;
 - investigation of the most important characteristics of the shares programmes (if any) for the Executive Management and other staff proposed by the CEO.

4.3. Terms of reference of the Audit Committee

4.3.1. Composition

The Audit Committee is composed according to article 7:87 BCAC and 3.5 of the Code of at least three non-executive Directors, at least two of which are independent. The chairman and the members are appointed by the Board of Directors upon the recommendation of the Chairman, after consultation with the Nomination and Remuneration Committee.

4.3.2. Meetings

The Audit Committee convenes at least four meetings a year. If required, other meetings are convened at the request of the Audit Committee chairman. Any member of the Audit Committee, the CEO or the auditor can request the Chairman to convene a meeting of the Audit Committee.

The Audit Committee decides whether, and if so when, the CEO, the chief financial officer and the auditor should attend its meetings.

The Audit Committee reports regularly to the Board of Directors on the exercise of its duties, and at least when the Board of Directors sets up the annual accounts, the consolidated accounts, and where applicable the condensed financial statements intended for publication.

4.3.3. Role and responsibilities

The Audit Committee assists the Board of Directors in its supervisory tasks with respect to the internal control within the Company in the broadest sense, including the internal control of the financial reporting. The Audit Committee acts as the principal point of contact for the External Auditors.

(i) Internal control and risk management systems

The committee reviews the functioning and the effectiveness of the internal control and risk management system as a whole and, in particular, of the risk management system and its processes that govern the compliance with laws, terms of reference and the General Code of Conduct.

The Committee monitors the financial reporting process. It reviews the integrity of the periodic financial information with respect to the relevance and the consistent nature of the accounting standards applied by the Company and the Melexis Group, including the criteria for the consolidation of the accounts of the companies in the Melexis Group.

The Audit Committee makes arrangements according to which members of staff can directly inform the chairman of the Audit Committee. If deemed necessary, arrangements shall be made for a proportionate and independent examination of such matters and for appropriate follow-up action.

Matters relating to the audit plan and all matters arising from the audit process are placed on the agenda of each meeting of the Audit Committee and are specifically discussed with the external and internal auditor once a year.

(ii) Internal audit

The Audit Committee monitors the Company's internal audit system and examines the extent to which the Executive Management complies with the findings of the internal audit function.

The head of the internal audit has direct and unlimited access to the Chairman of the Audit Committee.

(iii) External audit

The Audit Committee monitors the statutory audit of the annual and consolidated accounts and reviews and monitors the independence of the External Auditor, particularly the provision of additional services by the External Auditor to the audited entity.

The Audit Committee reviews the financial reporting process. The Audit Committee supervises the function of the External Auditor, approves the audit plan, evaluates its achievements formally at least once a year on the basis of fixed criteria and makes recommendations to the Board of Directors about his appointment or reappointment, the renewal of his/her mandate and his/her remuneration. The Audit Committee also supervises whether the policy stipulated by the Board of Directors with respect to the independence of the External Auditor is complied with, including the correct implementation of the procedure for prior approval of non-audit services.

The Audit Committee examines the extent to which management complies with the recommendations made by the External Auditor in its management letter.

The External Auditor has direct and unlimited access to the Chairman of the Audit Committee.

5. Executive Management – Terms of reference

5.1. Executive Management structure

The daily management of the Company has been delegated by the Board of Directors to the Chief Executive Officer (CEO), who has the power to represent the Company by his/her sole signature. For actions outside the scope of the daily management, the Company is validly represented by two Directors acting jointly.

The Executive Management has the operational responsibility for leading the Company in accordance with the global strategy, values, planning and budgets approved by the Board of Directors. The Executive Management is also responsible for screening the various risks and opportunities the Company might encounter in the short, medium or longer term, as well as for ensuring that systems are in place to address these risks and opportunities.

The Executive Management is accountable to the Board of Directors, represented by the CEO. The CEO has the final responsibility towards the Board of Directors for the execution of the tasks and responsibilities entrusted to him/her.

The Executive Management is composed of:

- the CEO
- the CFO
- the Business Unit Vice Presidents
- the Corporate Strategy Vice Presidents
- the Global Functional Vice Presidents

The composition of the Executive Management can be consulted in the latest annual report on the Company's website: <https://www.melexis.com/en/investors/news-and-results/financial-reports>

5.2. Role and responsibilities of the Executive Management

The members of the Executive Management:

- are entrusted with the daily operations of the Melexis Group;
- implement and monitor the strategy approved by the Board of Directors;
- develop, implement and monitor short and long term forecasts;
- put internal controls in place (i.e. systems to identify, assess, manage and monitor financial and other metrics) without prejudice to the Board's monitoring role, based on the framework approved by the Board of Directors;
- present to the Board of Directors a complete, timely, reliable and accurate preparation of the Company's financial statements, in accordance with the applicable accounting standards and policies of the Company;
- prepare the Company's required disclosure of the financial statements and other material financial and non-financial information;

- present the Board of Directors with a balanced and understandable assessment of the Company's financial situation;
- provide the Board of Directors in due time with all information necessary for the Board of Directors to carry out its duties;
- are responsible and accountable to the Board of Directors for the discharge of their responsibilities.

The responsibilities of the CEO are:

- acting as top manager, by:
 - communicating and carrying out the Company's values clearly and inspiring the actual conduct of the staff by setting 'the tone at the top';
 - investigating, defining and presenting strategic options and proposals that may contribute to the development of the Company to the Board of Directors and executing the decisions of the Board of Directors;
 - acting as the most important spokesperson for the Company towards the public;
- enabling the Board of Directors and the Chairman to carry out their responsibilities, by:
 - maintaining constant interaction and dialogue and a climate of respect, trust and openness with the Board of Directors. The CEO functions as the prime interface between the Board of Directors and the Executive Management;
 - presenting proposals to the Board of Directors or the board committees concerning subjects about which decision-making is reserved to the Board of Directors;
 - bearing final responsibility for such proposals;
 - providing the Board of Directors with all information relevant for the execution of its powers and obligations and regularly informing the Board of Directors of the most important initiatives in the development and decisions taken by the CEO in the execution of his/her responsibilities;
 - regularly meeting with the Chairman, involving him/her in strategic initiatives from the start, consulting him/her about all relevant business and in particular discussing the issues on the agenda of the meetings of the Board of Directors;
 - preparing a one-year and three-year strategic plan every year;
 - reporting on the execution of these plans and making recommendations to amend the plans, if necessary, to the Board to allow the Board of Directors to take appropriate measures.
- exercising other powers and tasks that the Board of Directors entrusts to the CEO in specific cases.

Following decisions of the Executive Management always require approval by the Board of Directors:

- Entering into loans of more than 10 million EUR;
- Awarding a loan to an affiliated company or third party in which the Company does not have a majority interest;
- Awarding a surety for more than 2 million EUR;
- Awarding mortgages, collateral or other claims on property;
- Purchasing or leasing real estate;

- Purchasing or leasing investment property;
- Any transfer or contribution of an activity with a revenue of more than 2 million EUR;
- Ceasing an activity with a revenue of more than 2 million EUR;
- Acquisition or sale of shares or assets of another legal entity with a value of more than 1 million EUR;
- Incorporation, merger or demerger of legal entities, as well as establishing branches of a legal entity;
- The employment of staff with a gross annual wage of more than 200,000 EUR.

5.3. Functioning of the Executive Management

5.3.1. Meetings of the Executive Management

The Executive Management meets regularly in accordance with a calendar prepared each year by the CEO. Additional meetings may be called by the CEO.

The meetings of the Executive Management are held, either physically at the location mentioned in the convening notice, or at distance by means of teleconference or videoconference using telecommunication techniques that allow the members to hear each other simultaneously and to discuss with each other.

The decisions of the Executive Management are taken with a simple majority of the votes cast and the abstentions and blank votes are not taken into consideration. In case of equal votes, the vote of the CEO is decisive. Each member shall loyally execute the resolutions validly passed by the Executive Management.

Minutes are taken at every meeting, timely posted and shared via the internal website only accessible by the Executive Managers.

5.3.2. Interaction with the Board of Directors

The interaction between the Board of Directors and the Executive Management is done in a transparent manner. The Chairman of the Board is always kept up to date.

The Board of Directors provides the Executive Management with sufficient flexibility to implement the Company's strategy and is open for proposals in this regard.

The key decisions that are taken by the Executive Management are reported to the Board of Directors together with the proposals from the Executive Management for decisions to be taken by the Board. Next to that, procedures are in place in regard to the evaluation of the CEO and other members of the Executive Management.

5.3.3. Members of the Executive Management serve with integrity

The members of the Executive Management maintain the highest standards of integrity and honesty. They are actively involved in their tasks and are able to make a well-founded, objective and independent judgement in the exercise of their responsibilities.

The members of the Executive Management may only use the information available to them in their capacity as member of the Executive Management within the framework of their mandate. They must treat the confidential information they have received in this capacity with care and may not under any circumstances disseminate it. The members of the Executive Management shall transmit to the Board of Directors all information at their disposal, which may be relevant to the decision-making within the Company. In case of sensitive or confidential information, the member of the Executive Management concerned shall consult the CEO.

When Executive Management makes a decision, members do not pursue their personal interests. They shall not use business opportunities intended for the Company for their own benefit.

5.3.4. Appointment and term in office

The Board of Directors appoints the members of the Executive Management upon recommendation of the Nomination and Remuneration Committee.

In principle, the members of the Executive Management are appointed for an indefinite term. For new contracts with members of the Executive Management entered into since 3 May 2010, the Board of Directors sees to the fact that severance provisions do not exceed 12 months total remuneration equivalent.

The Board of Directors sees to the fact that the various business and functional units of the Group are properly represented within the Executive Management.

There is a succession plan in place for the members of the Executive Management, which is periodically reviewed by the Board of Directors.

6. Remuneration

The Board of Directors upon the advice of the Nomination and Remuneration Committee adopts a remuneration policy that it submits to the General Meeting in accordance with the provisions of the BCAC.

The remuneration policy is publicly available on the website of Melexis: <https://www.melexis.com/en/investors/corporate-governance/corporate-governance-charter>

7. Conflict of interest

The Directors and members of the Executive Management place the interests of the Company before their own interests and represent the interests of all shareholders on an equal basis. They are aware of the fact that conflicts of interest may arise at all levels of the Company.

The Directors and members of the Executive Management must not pursue their personal interests and must not use business opportunities intended for the Company for their own benefit.

All Directors and members of the Executive Management are expected to avoid acts, opinions or interests in conflict with or that may create the impression of being in conflict with, the interests of the Melexis Group.

When confronted with a possible conflict of interests, Directors and members of the Executive Management must inform the Chairman of the Board of Directors or the CEO thereof as soon as possible. Directors must abstain from any discussion or decision of the Board of Directors that involves their personal, business or professional interests, in accordance with the applicable provisions of company law.

8. Specific guidelines

8.1. Measures taken in order to comply with the rules on market abuse

The Melexis insider trading policy is publicly available on the website of Melexis: <https://www.melexis.com/en/investors/corporate-governance/corporate-governance-charter>

8.2. Transactions and other contractual relationships between the Company, its Directors and the Executive Management

Directors and Executive Managers should not directly nor indirectly compete or cause third parties to compete with the Melexis Group. Neither should they take personal advantage of any opportunity open or offered to Melexis without informing respectively the Board of Directors or the Executive Management.

Any transactions and/or business relationships between members of the Board of Directors or the Executive Management and one or more companies of the Melexis Group should take place at normal market conditions.

Non-executive Directors are permitted to be a member of the Board of Directors of other companies and to enter into other undertakings or obligations, provided that these obligations (i) are unrelated to the Company and (ii) do not refrain a Director from fulfilling his/her duties.

Executive Directors are permitted to accept an appointment as a director in listed companies other than related companies, after consultation with the Board of Directors.

Members of the Executive Management shall exclusively invest in the exercise of their daily professional activities within the Company and the Melexis Group. Each directorship in other companies of the Melexis Group should first be approved by the Board of Directors. Directorships or other functions in any organization that does not belong to the Melexis Group, should first be approved by the Chairman.