

**CORPORATE GOVERNANCE COMMITTEE
PRIVATE FOUNDATION**

**BELGIAN CORPORATE GOVERNANCE CODE
PUBLIC CONSULTATION**

Your contribution will be highly appreciated.

Please send your responses to the address below before November 30, 2007:

To the attention of the Corporate Governance Committee

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Introduction

The Corporate Governance Committee (hereafter referred to as the 'Committee') is seeking views from listed companies, directors, investors and other stakeholders on their experience with implementing the Belgian Corporate Governance Code (hereafter referred to as the 'Code'). Comments are requested before November 30, 2007.

Context

The current text of the Code was published on December 9, 2004¹. Since January 1, 2005 listed companies are requested to follow the Code's provisions and to publish a Corporate Governance Charter by January 1, 2006 in which their governance structure and policy are described.

Several studies made by the Belgian Governance Institute (BGI) and the Federation of Enterprises in Belgium (FEB-VBO)², as well as the Banking, Finance and Insurance Commission (CBFA)³ have demonstrated that the Code is recognized by Belgian listed companies as the code of reference: they undertake to comply with the provisions, or where applicable, explain why they deviate from it, taking into account their specific features.

Purpose

The main purpose of this public consultation is to determine to what extent the Code contributes to the development of corporate governance practices encouraging entrepreneurship and risk management.

Based on this consultation, as well as an analysis of the observed and expected developments of corporate governance, the Committee intends to draft:

- Possible changes (additions/deletions) to the current text of the Code; and,
- Explanations that can stimulate/simplify a more efficient implementation of the Code's provisions.

Method

Comments are welcome on any aspect of the Code, but the Committee would particularly welcome views and suggestions on the following issues:

- the effectiveness of the Code
- the structure and scope of the Code
- the "comply or explain" approach
- the disclosures on the implementation of the Code

¹ The current text of the Code can be found at http://www.corporategovernancecommittee.be/en/corporate_governance_code/final_code/default.aspx.

² BGI-VBO/FEB, *Naleving van de Belgische Corporate Governance Code: een stand van zaken*, april 2006, 28 pp./BGI-FEB/VBO, *Respect du Code belge de gouvernance d'entreprise: un état de la question*, avril 2006, 28pp. This report can be found at <http://www.corporategovernancecommittee.be/en/home/>.

³ CBFA, *Vergelijkende studie van de informatie inzake "corporate governance" die door de genoteerde vennootschappen wordt gepubliceerd in het "Corporate Governance Charter"*, December 2006, 28pp./CBFA, *Etude comparative sur les informations en matière de "gouvernance d'entreprise" publiés par les entreprises cotées dans la "Charte de Gouvernance d'Entreprise"*, décembre 2006, 28 pp.

For each of these issues, specific questions are raised. In order to have a clear understanding, all questions contain a detailed explanation. Respondents are invited to reflect on the questions raised, but are free to comment on any other question or matter they would consider important.

ISSUE 1: EFFECTIVENESS OF THE CODE ⁴

1.1 Does the Code support BETTER BOARD PERFORMANCE and LONG TERM VALUE CREATION? ⁵

When reflecting upon this question please consider the following topics: composition of the board, board diversity, board tasks, board committees, organization of the board, board evaluation and the development of charters.

Comments:

The key benefit of the new Code is to have companies provide greater transparency and better information overall. This leads to better decision-making and, hence, greater value over time.

The overall competence of the board has been strengthened by the addition of two new independent directors who bring a different perspective to board discussions. They also provide a fresh eye to the Audit and Nomination and Remuneration Committees.

The periodic evaluation of the board forces its members to stop and think about how the board functions, which can only be positive.

1.2 Please indicate on the scale below your overall view on the effectiveness of the Code:

Ineffective								Very effective	
1	2	3	4	5	6	7	8	9	10
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

⁴ Explanation of issue 1: Cf Code, Preamble, clause 1 and 2

The Code's main objective is to support long-term value creation by means of promoting good governance practices which can stand the test with international standards.

⁵ A vital role in corporate governance is attributed to the board of directors. A company should benefit from an active and effective board. In particular, the extent to which the board is able to realize its objectives and executes its tasks successfully should ultimately create value.

Furthermore, corporate governance should provide incentives for the board and management to pursue objectives that are in the interest of the company, its shareholders and other stakeholders. This may not only be reflected in increased short term financial results but should also entail sustainable long-term wealth creation.

2.1 To what extent do you feel that the principles, provisions and guidelines are sufficiently clear? ⁷

Comments:

The principles, provisions and guidelines are clear. The system could however gain future efficiency if:

- the large number of provisions were narrowed down;
- certain terms or notions were better defined to ensure better comparability between reports from different companies.

2.2 To what extent does the Code reach the aim to be complementary to the relevant legal dispositions? ⁸

When reflecting upon this question please consider any possible overlap or conflict between the Code and the national or international legal provisions.

Comments:

⁶ *Explanation of issue 2: Cf Code, Preamble clause 4 and 8*

Structure: A key feature of the Code is a division between 9 principles and their respective provisions and guidelines. The 9 principles reflect the pillars on which good corporate governance should rest while the provisions and guidelines provide more detailed description how to interpret and implement the principles.

Scope: The Code encompasses (detailed) provisions on highly relevant topics regarding the three main actors in the corporate governance tripod: board of directors, management and shareholders. These provisions are directive and are supposed to be mainly complementary to legal dispositions.

⁷ Provisions (some of which are further substantiated in the Code's Appendices) are recommendations describing how to apply the principles. Companies are expected to comply with these provisions or explain why, taking into account their specific situation, they do not comply.

The provisions are supplemented with guidelines, which provide guidance as to how the company should implement or interpret the provisions laid down in the Code. Most guidelines are qualitative and do not lend themselves to assessment in terms of compliance. The obligation to comply or explain does not therefore apply to those guidelines.

Because of their detailed and practical description, provisions and guidelines should guide companies on how to implement the Code taking into account their specificities and on how to adhere to the Code's governance philosophy. To obtain these objectives, provisions and guidelines should be clearly formulated, sufficiently substantiated and regularly updated.

⁸ Legislation and regulations set a standard reference framework for companies. For some governance matters, legal provisions are rather limited and/or formulated in a general way. The (detailed) provisions of the Code serve as a complement and provide a practical guidance for the implementation of good governance.

The Code provides occasionally a useful complement to certain legal dispositions, i.e.:

a) The criteria concerning the independent character of the directors mentioned in the Code are complementary to the ones established by Article 524 bis of the Company Code.

b) The policy of the conflict of interests covers a wider range of cases than the ones provided for by law.

This can be helpful in specifying company policies in these matters.

2.3 To what extent do you consider the Code to be complete? ⁹

a. Topics not sufficiently treated?

As well as preserving minority shareholders rights, the Code should also focus on issues of potential abuse by these shareholders.

b. Topics that are missing?

The Code should differentiate more between different types of companies, i.e. with a dispersed or concentrated shareholder structure.

c. Topics that need additional provisions or guidelines?

2.4 Does the Code give sufficient attention to the role of the shareholder and the function(ing) of the shareholders' meeting? ¹⁰

When reflecting upon this question please pay attention to the role of the shareholder as well as the role of the shareholders' meeting and whether they are sufficiently documented.

Comments:

By emphasizing the need for greater transparency and better information, the Code:

- enables shareholders to play their role more efficiently vis-à-vis the company,
- improves the functioning of the shareholders' meeting.

See points 2.3.a. and 2.3.b. hereabove.

⁹ In line with international practices, the Code covers a broad set of governance topics which are considered to be of utmost importance. Nevertheless, some topics might need further clarification or have been overlooked.

¹⁰ Cf Code, Principle 8

Shareholder structures are one of the most discriminating and determining factors in corporate governance. Belgium, as some other European countries, is characterised by concentrated ownership. Therefore, special attention in the Code is given to a company's relationship with his shareholders.

2.5 Please indicate on the scale below your overall view on the structure and the scope of the Code:

Incomplete

Very complete

1	2	3	4	5	6	7	8	9	10
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

3.1 Does the 'comply or explain' option offer sufficient flexibility for the corporate governance of listed companies?¹²

Comments:

This is a good policy that gives the opportunity to certain companies to explain why they cannot apply all the provisions of the Code and, in that way, the Code is more accessible for all companies and a better tool for good corporate governance.

3.2 What could or should be added to the Code's recommendations to better mitigate the risk of box-ticking?¹³

Comments:

Each company has specific requirements. Some flexibility, and in particular the "comply or complain" option, should help make corporate governance more relevant and useful to each case and, hence, reduce "box ticking".

Maybe that a reduction in the number of provisions in favor of additional guidelines would be helpful.

3.3 Is the compliance with and the deviation from the Code sufficiently monitored?¹⁴

When reflecting upon this question please consider the monitoring role of the shareholders and/or the role of the Corporate Governance Committee or other monitoring systems.

¹¹ *Explanation of issue 3: Cf Code, Preamble clause 4*

The Committee has opted for a flexible approach based on a 'comply or explain' system. This implies that companies can either comply with a Code's provision or deviate from it but explain why they do not follow the specific provision.

¹² *The 'comply or explain' system should allow the taking into account of companies' specificities, such as size, shareholding structure, activities, exposure to risks and management structure. The final objective is to tailor governance structures and processes to the specific needs of companies. In this respect, a strict and rigid application of a detailed set of rules would violate this objective.*

¹³ *The risk of the 'comply or explain' system is that companies and investors give priority to formal compliance with the provisions over a substantial adherence or assessment of the governance principles laid down in the Code. This phenomenon is referred to as 'box ticking'.*

¹⁴ *The 'comply or explain' system offers great flexibility to companies but entails monitoring by external parties. Different parties can be authorized to monitor the information yielded by the "comply or explain" system.*

Comments:

The ultimate and most efficient monitoring is done by the market.

3.4 Please indicate on the scale below your overall view on the 'comply or explain' approach:

Ineffective Very effective

1	2	3	4	5	6	7	8	9	10
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

ISSUE 4: DISCLOSURES ON THE IMPLEMENTATION OF THE CODE ¹⁵

4.1 To what extent is the relationship between the corporate governance charter and corporate governance chapter (annual report) adequate?

Comments:

The corporate governance chapter in the annual report is the illustration of how the Charter is complied with by the company and gives, in that way, even a clearer view of the corporate governance policy of the company than the Charter.

4.2 Is the cost of complying with the disclosure recommendations proportionate to the benefits of such disclosure? ¹⁶

Comments:

Not today but on the long term we believe it does.

4.3 Please indicate on the scale below your overall view on the structure and content of the disclosures required by the Code:

Inadequate							Very adequate		
1	2	3	4	5	6	7	8	9	10
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

¹⁵ *Explanation of issue 4: Cf Code, Preamble clause 5 and Principle 9 and Appendix F*

Disclosure, leading to transparency, is an essential ingredient of the Code. Disclosure is crucial to allow outside monitoring by different market parties. The information disclosed should be relevant to shareholders and other stakeholders. Hence the Codes' provisions aim at putting in place a high level of transparency concerning companies' corporate governance.

¹⁶ *Transparency is obtained through disclosure in two different documents; the Corporate Governance Charter, posted on a company's website, and the Corporate Governance Chapter in the annual report. Developing these documents as well as the regularly update imply a cost. However, companies should benefit from enhanced transparency by attracting capital at lower cost and by building sustainable relationships with their stakeholders.*

ADDITIONAL COMMENTS AND SUGGESTIONS

5.1 Do you have any other comment or suggestion on the Code you would like to make to the Committee?

Comments:

The Code should evolve, according to the standards existing in the other surrounding European countries and should take into consideration the new European legislation.

Information in relation to the identity of the respondent:

NAME:	ANN	OPSOMER
PROFILE/FUNCTION: (CEO, Director, Investor...)	Secretary General	
ORGANISATION:	GROUPE BRUXELLES LAMBERT	
OTHER INFORMATION:		

"Unless otherwise stated, responses will be regarded as being on the public record. Respondents should indicate specifically whether their responses should be treated as confidential (standard disclaimers in responses received by e-mail will be disregarded for this purpose)"

Thank you for your cooperation!