

**CORPORATE GOVERNANCE COMMITTEE
PRIVATE FOUNDATION**

BELGIAN CORPORATE GOVERNANCE CODE

**PROPOSED AMENDMENTS
Public Consultation**

Please send in your comments by post or e-mail to:

The Corporate Governance Committee

Rue des Sols 8, Stuiversstraat 8

B-1000 Brussels

T + 32 2 515 08 29

F + 32 2 515 09 85

E-mail: secretary@corporategovernancecommittee.be

Comments must be submitted by 22 September 2008.

Please note my comments relate only to points A, D and E. Therefore, I have only attached the relevant pages. Thank you.

A. Socially responsible business: Corporate Social Responsibility and diversity

Corporate Social Responsibility (CSR) and diversity/the position of women are some of the topics that have gained prominence over the last couple of years.

The objective of the Code is to issue recommendations on how companies should be directed, managed and controlled, without going into each and every dimension of companies' responsibilities. However, recognising the importance of issues such as CSR and diversity, the Committee deemed it appropriate to insert a supplementary guideline to Provision 1.2 of the Code.

This guideline requests that boards also pay attention to corporate social responsibility and diversity when translating the company's values and strategy into company-specific key policies.

Additional guideline for Provision 1.2:

1.2 The board should decide on the company's values and strategy, its risk appetite and key policies.

Guideline In translating values and strategies into key policies, the board should pay attention to corporate social responsibility and diversity, including gender diversity.

Regarding the composition of the board itself, the Code already required the necessary diversity. In addition, it is proposed that gender diversity be given an explicit mention in Provision 2.1.

Amendment to Provision 2.1:

2.1. The board's composition should ensure that decisions are made in the corporate interest. It should be determined on the basis of the necessary diversity, including gender diversity, and complementary skills, experience and knowledge. A list of the members of the board should be disclosed in the Corporate Governance Chapter of the annual report (hereinafter "CG Chapter").

Comments with respect to point A:

Béatrice Baumann, Management Support Coordinator, SPF Budget et Contrôle de la Gestion:

It appears that Provision 1.2. has required an additional Guideline in order to explain how to translate values and strategies into key polities.

Why not insert another Guideline about **how to make a decision on risk appetite**, a concept which in many cases remains very abstract, though it is of vital importance if an organisation has to develop its internal control system and or an Enterprise Risk Management process?

D. Evaluation of the board

Due to the growing complexity of matters dealt with by the board and to the evolution of corporate governance, the role of the board's committees has become significantly more important.

The Committee proposes extending the focus of the evaluation to the overall performance of the board (as well as its size and composition) and to the performance of these committees. The committees are asked to regularly review their effectiveness and propose any necessary changes to the board. The Corporate Governance Chapter should set out the main elements of this evaluation process.

Amendments to Provision 4.11:

4.11. Under the lead of its chairman, the board should regularly (e.g. at least every two to three years) assess its size, composition, performance and those of its committees, as well as its interaction with executive management.

Guideline The evaluation process should have four objectives:

- assessing how the board or the relevant committee operates;
- checking that the important issues are suitably prepared and discussed;
- evaluating the actual contribution of each director's work, the director's presence at board and committee meetings and his constructive involvement in discussions and decision-making;
- checking the board's or committee's current composition against the board's or committee's desired composition.

Amendments to Appendixes C, D, E (Respectively Provisions 5.2/19, 5.3/6, 5.4/5):

5.2./19. The audit committee should meet at least four times a year. It should review regularly (at least every two to three years) its terms of reference and its own effectiveness and recommend any necessary changes to the board.

5.3./6. The nomination committee should meet at least twice a year and every time it deems necessary to carry out its duties. It should review regularly (at least every two to three years) its terms of reference and its own effectiveness and recommend any necessary changes to the board.

5.4./5. The remuneration committee should meet at least twice a year and every time it deems necessary to carry out its duties. It should review regularly (at least every two to three years) its terms of reference and its own effectiveness and recommend any necessary changes to the board.

Comments with respect to point D:

Béatrice Baumann, Management Support Coordinator, SPF Budget et Contrôle de la Gestion:

Why not upgrade the notion of "**self-evaluation**" of committees (included in the relevant annexes) and include into Provision 4.11? Indeed, the 4 objectives of the evaluation process are relevant for self-evaluation, as well.

E. Respective roles of the board and of the executive management with regard to disclosure

Listed companies have serious disclosure obligations of both a financial and non-financial nature. The board and the executive management have respective roles with regard to this disclosure process. By amending Provisions 1.3 and 6.5, the Committee underlines their respective responsibilities.

The board should take all necessary measures to ensure the integrity and timely disclosure of financial statements and any other information that needs to be disclosed (in compliance with legal provisions). The executive management, on the other hand, is responsible and accountable to the board for preparing the company's adequate disclosure of financial statements and other information.

Amendments to Provision 1.3:

1.3. With respect to its monitoring responsibilities, the board should, at least:

- maintain a sound system of internal control, including adequate identification and management of risks (including those relating to compliance with existing legislation and regulations);
- 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 that needs to be disclosed to the shareholders and investors;
- review executive management performance;
- supervise the performance of the external auditor and supervise the internal audit function.

Amendments to Provision 6.5:

6.5 Executive management should:

- be entrusted with the running of the company;
- put internal controls in place (i.e. systems to identify, assess, manage and monitor financial and other risks), without prejudice to the board's monitoring role;
- be responsible and accountable vis-à-vis the board for the complete, timely, reliable and accurate preparation of the company's financial statements, in accordance with the accounting standards and policies of the company;
- be responsible and accountable vis-à-vis the board for the preparation of the company's adequate disclosure of the financial statements and other material financial and non-financial information;
- present the board with a balanced and understandable assessment of the company's financial situation;
- provide the board in due time with all information necessary for the board to carry out its duties;
- be accountable to the board for the discharge of its responsibilities.

Comments with respect to point E:

Béatrice Baumann, Management Support Coordinator, SPF Budget et Contrôle de la Gestion :

Provision 1.3. provides that "the board should, at least (...) take all necessary measures to ensure the integrity and timely disclosure of (...) other material financial

and non-financial information that **needs to be disclosed to the shareholders and investors.**"

I suggest to rephrase this disposition as follows:

"the board should, at least (...) take all necessary measures to ensure the integrity and timely disclosure of (...) other material financial and non-financial information that **shareholders and investors need to obtain.**"

The underlying idea is to promote accountability. My reasoning is based on the fact that information does not "need" *per se* to be disclosed: Some users need it in order to make their decisions. Furthermore, they have title to obtain it.

So the purpose should not only be to *disclose* information, from a pure "compliance" perspective, but to *provide* stakeholders with the information they need, and to do it in an effective way. **This means that information should be appropriate, timely, current, accurate and accessible.**

Information to identify the respondent:

NAME:	BAUMANN	Béatrice
PROFILE/ FUNCTION:	Management Support Co-ordinator Project manager for the royal decrees of 17 August 2007 on internal control, internal audit activities and the creation of the Audit Committee of the Federal Administration (CAAF/ACFO)	
ORGANISATION:	SPF Budget et Contrôle de la Gestion Belgian Federal Ministry of Budget	
OTHER INFORMATION:	Management Support's mission is to promote the improvement of government governance within the federal public administration.	

Comments on these main changes and on any other proposed changes are welcome and may be sent in by post or e-mail to:

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Rue des Sols 8, Stuiversstraat 8
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F + 32 2 515 09 85
Email: secretary@corporategovernancecommittee.be

Comments must be submitted **by 22 September 2008.**

NB: Unless otherwise stated, responses will be regarded as being on public record. Respondents must indicate specifically whether their responses should be treated as confidential (in this connection standard disclaimers contained in responses received by e-mail will be disregarded).