

THE 2009 BELGIAN CODE ON CORPORATE GOVERNANCE

12 march 2009



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FOREWORD

In 2004 the Corporate Governance Committee published the Belgian Code on Corporate Governance for listed companies. It was the intention of the Committee to revise and update the Code at regular intervals. To that end the Committee and its Permanent Working Group organised a public consultation process and an intensive internal debate that resulted in many new suggestions for redrafting the Code. Revisions of the old Code were desirable in order to take into account the positive and negative experiences with the earlier version of the Code, the changing legal environment in Belgium and in Europe, and the new aspirations of society and stakeholders about the responsibilities and conduct of companies, directors and managers. In this document the Corporate Governance Committee presents the final version of the redrafted Code, to which will be referred as the 2009 Code.

Good governance of listed companies has lately been a major concern for shareholders, investors, governments, legislators, opinion leaders and society. Some unfortunate recent accidents have indeed raised doubts about the effectiveness of corporate governance codes in fostering responsible corporate behaviour. In addition, the needs for transparency, accountability and responsible behaviour in modern and open societies have put new demands on business leaders. Such demands arise because listed companies need to rely on public markets for funding and many stakeholders depend on companies for creating income and wealth. As a consequence, public pressure on listed companies has risen considerably in these uncertain times. The Committee continues to believe that a corporate governance code can be extremely useful and effective in stimulating the use of best governance practices in listed companies in Belgium.

There are five reasons why a code, such as the Belgian Corporate Governance Code, which is structured around principles, provisions, guidelines and the “comply or explain” methodology, can be effective and efficient in achieving better corporate governance.

First, the Code 2009, as was the previous Code, is a formal expression by the representatives of the corporate leaders in Belgium of their commitment to create standards and benchmarks against which corporate behaviours and structures can be judged by insiders and outsiders. Without a code it would be nearly impossible to make an objective assessment whether corporations are using best practices to govern themselves.

Second, the Code is likely to create more and faster transparency. Indeed, under the provisions of the Code, companies will report annually in their corporate governance statement to what extent they have followed the Code and if they do not, they are invited to explain why they have chosen to deviate from some of the provisions of the Code.

Third, transparency will stimulate compliance with the Code because it will be harder and harder to justify deviations from the Code if the Code is seen by corporate leaders and society as representing the best practice to organize good governance in listed companies.

Fourth, the Code can be more flexible than hard law. Business practices and the need of corporate stakeholders are continuously changing. The Code can swiftly anticipate and register such changes and formulate recommendations for appropriate actions. In this way the Code can also be more effective. Legal regulations must take into account the impact of the law on other aspects. A case in point is the severance pay of executive directors, which is very difficult to regulate by legal initiatives given the spill-over on other compensation systems. Since the Code is based on voluntary compliance recommendations, the Code can more easily and effectively make recommendations for such issues.

Fifth, the Code should also be seen as complementing existing legislation. In this way legal initiatives and the Code should go hand in hand and together they should form a framework in which listed corporations can strive to get the best possible corporate governance.

Some studies have suggested that compliance with the Code is quite high and that deviations, although sometimes spectacular, are exceptional. A code will never be able to guarantee full compliance. But there is also no certainty that a legal initiative will achieve complete compliance. Hence the fact that compliance is not fully guaranteed should not be used as a counter argument against a voluntary code.

The Code 2009 introduces some important changes. The separation of the role of the chairman of the board of directors and the CEO is one such change. Another is the emphasis on the role of the board of directors. But most attention, however, is likely to go to the recommendations that are made concerning executive remuneration. The Code advocates complete transparency about remuneration and severance pay towards shareholders and the outside world. The Committee hopes to have achieved a major breakthrough in this area.

Over the past years many individuals and institutions have contributed substantially to the development and improvement of the Belgian Code on Corporate Governance. I only joined the Committee recently as chairman, so I think it is appropriate that I express my great appreciation for the work that has been done so far on corporate governance for listed companies. I invite everyone to rely on the 2009 Code to continue spreading good corporate governance practices in listed companies.



Herman Daems
Chairman



1 What is corporate governance?

Corporate governance is a set of rules and behaviours which determine how companies are managed and controlled. A good corporate governance model will achieve its goal by setting a proper balance between leadership, entrepreneurship and performance on the one hand, and control as well as conformity with this set of rules on the other hand.

Good governance must be embedded in a company's values. It provides mechanisms to ensure leadership, integrity and transparency in the decision-making process. It should help determine a company's objectives, the means through which these objectives are achieved and how performance is to be evaluated. These objectives should be in the interest of the company, its shareholders and other stakeholders.

Corporate governance also requires control, i.e. effective evaluation of performance, careful management of potential risks, and proper supervision of conformity through agreed procedures and processes. The emphasis lies on monitoring the effective operation of control systems, managing potential conflicts of interest and implementing sufficient checks to prevent any abuse of power.

2 Main aim of the Corporate Governance Code (the 'Code')

The Code's main objective is to support long-term value creation. Business successes have shown that good governance can lead to the creation of wealth, not only for shareholders but also for all other stakeholders. Corporate failures, however, may lead to significant losses well beyond the loss of shareholder capital.

The financial crisis has shown how important confidence is. Good governance, based on transparency and accountability, should reinforce the confidence of investors and financiers in companies and will benefit other stakeholders. Confidence in turn will enable companies to access external funding and to obtain resources at a lower cost. Governance can also bring macro-economic advantages by improving economic efficiency, stimulating growth, and safeguarding private investments.

3 Context of the Code

Belgian company law and financial legislation contain an extensive set of governance rules that apply to listed companies. The Code must be considered in this context. The Committee has based the Code on Belgian law, in particular the Belgian Code on Companies and financial legislation. The Code is complementary to existing Belgian law; no provision of the Code may be interpreted as derogating from Belgian law. The Code has been drawn up with the 'one-tier board' model in mind.

The Committee has also considered extensively the European Commission's initiatives in the field of corporate governance, as well as international governance recommendations. These recommendations have led to additional provisions on best practices that go beyond Belgian law.

4 Structure, content and nature of the Code

The Code is based on the 'comply or explain' principle. This principle, favoured by the OECD, is recognised by Directive 2006/46/EC, which states that listed companies shall publish a corporate governance statement. The flexibility provided by this principle has been preferred to a strict and rigid application of a detailed set of rules because it allows for account to be taken of company's specificities such as size, shareholding structure, activities, exposure to risks and management structure.

The Code contains **principles, provisions** and **guidelines**.

The Code is structured under nine **principles** which are the pillars of good corporate governance.

Provisions (some of which are further substantiated in the 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 with them.

In specific cases companies may depart from some of the Code's provisions, if they give a considerate explanation of the reasons for doing so. These companies should determine what they consider to be the best practice in their specific situation, and provide a sound reason ('explain') in their Corporate Governance Statement. Smaller companies, for example, may consider that some provisions are disproportionate or less relevant. Also, holding and investment companies may have a different board structure, which can affect the relevance of certain provisions. Companies giving a considered explanation for the reasons why they depart from the Code can still be considered to be applying the Code.

The provisions are supplemented with **guidelines**, providing guidance on how the company should implement or interpret the provisions of the Code. The obligation to 'comply or explain' does not apply to these guidelines.

For a better understanding and for reasons of comprehensiveness, the Code contains **some recent legal provisions**. Citations of these legal provisions are put in italics.

Reference to one gender in the Code includes reference to the other gender.

5 Disclosure

Disclosure is essential for corporate governance and crucial to allow effective external monitoring. Through disclosure, the Code seeks to achieve a high level of transparency.

Transparency is achieved through disclosure via two different documents: the **Corporate Governance Charter**, posted on the company's website, and the **Corporate Governance Statement**, a specific section of the annual report.

In its Corporate Governance Charter, the company must describe the main aspects of its corporate governance, such as its governance structure, the terms of reference of the board and its committees as well as other important topics. The Corporate Governance Charter should be updated regularly.

The Corporate Governance Statement should state that the company has adopted this Code as its reference code. It should also include more factual information relating to corporate governance: e.g. the provisions it does not comply with and the reasons for non-compliance, the remuneration report, a description of the main features of the internal control and risk management systems and a description of the composition and operation of the board.

6 Monitoring & Compliance

As in many other countries, the Committee has opted for a combined monitoring system that relies on the board, the company's shareholders, the statutory auditor and the Banking, Finance and Insurance Commission (CBFA), as well as other possible mechanisms.

- **The Board**

In a 'one-tier board' model, the board has a dual role to play: to support entrepreneurship and to ensure effective monitoring and control. Hence, to be able to play its role as the guardian of the corporate interest, it is important that the board is composed of both executive and non-executive directors. All directors should demonstrate independence of judgement and objectivity in making board decisions. The independent directors will have a crucial role to play in this respect. It is the board's responsibility to ensure the accuracy and completeness of the Corporate Governance Charter and the Corporate Governance Statement.

- **Shareholders**

Given the Code's flexible 'comply or explain' approach, shareholders, and in particular institutional shareholders, play an important role in carefully evaluating a company's corporate governance and should weigh up all relevant factors drawn to their attention.

Shareholders should carefully consider explanations given for deviations from the Code and make reasoned judgements in each case. They should be prepared to enter into a dialogue if they do not accept the company's position, bearing in mind, in particular, the size and complexity of the company and the nature of the risks and challenges it faces.

Controlling shareholders can appoint representatives to the board. They are therefore in a position to monitor both from the inside and the outside of the company, with the benefits and risks that such a strong position may entail. Controlling shareholders should thus make considered use of their position and respect the rights and interests of minority shareholders.

- **The Statutory Auditor**

Within its statutory audit mission, as laid down in articles 144 and 148 of the Code on Companies, the statutory auditor has to express an opinion on the true and fair view of the company's assets and liabilities, its financial position and the results of its operations in accordance with the financial reporting framework applicable in Belgium. It is also the responsibility of the statutory auditor to comment on the annual report. The statutory auditor has to verify that the annual report includes the information required by Articles 96 and 119 of the Code on Companies, and that it is consistent with the financial statements.

Furthermore, the new Article 526bis, §5 of the Code on Companies requires the statutory auditor to report to the audit committee on the key matters arising from the statutory audit of the financial statements, and in particular on material weaknesses in internal control in relation to the financial reporting process.

- **CBFA**

Acting within its mission of supervision of the periodic and ongoing information obligations of listed companies, as set out in the law of 2 August 2002, the CBFA contributes to the external monitoring of the Code. It lends its moral support to the implementation of the disclosure provisions which the Code addresses to Belgian listed companies, in addition to the obligations imposed by the applicable laws and regulations.

The existence and the acceptance by the Belgian financial world of a single Code on corporate governance contributes to the reinforcement of the Belgian financial market and the confidence of investors.

The CBFA recommends that listed companies disclose relevant information about their corporate governance rules and practices in accordance with the provisions of the Code. It is up to the listed companies to determine whether they comply with the Code's provisions, or explain their reasons for non-compliance. If, contrary to Principle 9 and Appendix F, no disclosure is made about a specific item as identified in the Code, the CBFA, within the framework of its supervisory programme, will draw the attention of the listed company to that fact and inviting it to disclose the reasons for non-compliance. The CBFA's role is limited to verifying the observance of the 'comply or explain' principle, and to invite companies to live up to it. Moreover, the CBFA publishes, from time to time, general comparative overviews of corporate governance practices in Belgian listed companies.

However, with respect to mandatory disclosure requirements as imposed under the applicable laws or regulations - whether or not part of the Code - the CBFA's authority, including its powers to impose sanctions, remain unchanged. Its role in the external monitoring of the Code does not alter its legally mandated supervisory responsibility.

7 Follow-up

The Committee also feels that what constitutes good corporate governance will evolve with changing business circumstances and international financial markets requirements. It is therefore important to ensure a regular review of corporate governance practices and adaptation of the recommendations where necessary. This required the set-up of an appropriate mechanism.

To this end, in May 2007, on the initiative of the FEB, Euronext Brussels and the other founding members, the Committee became a private foundation and was expanded to include certain stakeholders, such as the Institute of Registered Auditors and the Central Economic Council. The Committee's main objective is to ensure that the Code's provisions remain relevant to listed companies and are regularly updated in line with practice, legislation and international standards. This 2009 Code is part of this process.

8 Scope of application and entry into force

The Code applies to companies incorporated in Belgium whose shares are admitted to trading on a regulated market ('listed companies'). However, given its flexibility, the Code could also serve as a reference framework for all other companies.

The 2009 Code is the second edition of the Belgian Corporate Governance Code. The 2009 Code applies to reporting years beginning on or after 1 January 2009. It supersedes and replaces the Code issued in 2004.

In 2009, companies are expected to review their governance in the light of the 2009 Code's provisions and, where appropriate, to adjust their governance practices and their Corporate Governance Charter accordingly. Companies are expected to comply with the new provisions for disclosure in the 2009 Corporate Governance Statement of their annual report, to be published in 2010.

THE CORPORATE GOVERNANCE PRINCIPLES

PRINCIPLE 1. THE COMPANY SHALL ADOPT A CLEAR GOVERNANCE STRUCTURE

1.1 Every company should be headed by a collegial board. The company should define and disclose the board's terms of reference in its Corporate Governance Charter (hereinafter "CG Charter").

Guideline The board's role should be to pursue the long-term success of the company by providing entrepreneurial leadership and enabling risks to be assessed and managed.

Guideline The board's responsibilities should be defined in the articles of association of the company and in the terms of reference of the board. It should detail its responsibilities, duties, composition and operation, within the limits defined by the company's articles of association.

Guideline The board should be organised in order to perform its tasks efficiently.

Guideline The company should adapt its governance structure to its evolving needs.

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

Guideline The board should ensure that the necessary leadership, human and financial resources are in place for the company to meet its objectives.

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

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

- review executive management performance and the realisation of the company's strategy;
- monitor and review the effectiveness of the board's committees;
- 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;

Guideline "Timely disclosure" means the disclosure in due time according to the existing legislation and regulations.

- approve a framework of internal control and risk management set up by the executive management;

Guideline Such a framework should be clear, define the meaning of 'internal control' and 'risk management' and help the executive management to put internal control and risk management systems in place.

- review the implementation of this framework, taking into account the review made by the audit committee;
- supervise the performance of the statutory and/or registered auditor (hereinafter "external auditor") and supervise the internal audit function, taking into account the review made by the audit committee;
- describe the main features of the company's internal control and risk management systems, to be disclosed in the Corporate Governance Statement (hereinafter "CG Statement").

1.4 The board should decide on the executive management structure and determine the powers and duties entrusted to the executive management. These should be included in the terms of reference of the board and in those of the executive management.

- 1.5** There should be a clear division of responsibilities at the head of the company between the running of the board and the executive responsibility for the running of the company's business. The chairman of the board and the chief executive officer (hereinafter "CEO") should not be the same individual. The division of responsibilities between the chairman and the CEO should be clearly established, set out in writing and agreed by the board.
- 1.6** The chairman should establish a close relationship with the CEO, providing support and advice, while fully respecting the executive responsibilities of the CEO.
- 1.7** The board should foster - through appropriate measures - an effective dialogue with the shareholders and potential shareholders based on a mutual understanding of objectives and concerns.
- 1.8** The board should ensure that its obligations to all shareholders are understood and met. It should account to the shareholders for the discharge of its responsibilities.

PRINCIPLE 2. THE COMPANY SHALL HAVE AN EFFECTIVE AND EFFICIENT BOARD THAT TAKES DECISIONS IN THE CORPORATE INTEREST

2.1 The board's composition should ensure that decisions are made in the corporate interest. It should be determined on the basis of gender diversity and diversity in general, as well as complementary skills, experience and knowledge. A list of the members of the board should be disclosed in the CG Statement.

Guideline The board should be small enough for efficient decision-making. It should be large enough for its members to contribute experience and knowledge from different fields and for changes to the board's composition to be managed without undue disruption.

2.2 No individual or group of directors should dominate the board's decision-making. No one individual should have unfettered powers of decision-making.

2.3 At least one half of the board should comprise non-executive directors and at least three of them should be independent according to the criteria set out in Appendix A.

Guideline A non-executive director is any member of the board who has no executive responsibilities in the company.

2.4 The list of the members of the board, disclosed in its CG Statement, should indicate which directors are independent.

An independent director who ceases to satisfy the requirements of independence should immediately inform the board.

2.5 The chairman is responsible for the leadership of the board. He should take the necessary measures to develop a climate of trust within the board, contributing to open discussion, constructive dissent and support for the board's decisions.

Guideline The chairman should promote effective interaction between the board and the executive management.

Guideline The board may entrust the chairman with other specific responsibilities.

2.6 The chairman sets the agenda of the board meetings, after consultation with the CEO, and ensures that procedures relating to preparatory work, deliberations, passing of resolutions and implementation of decisions are properly followed. The minutes of the meeting should sum up the discussions, specify any decisions taken and state any reservations voiced by directors.

Guideline The agenda should list the topics to be discussed and specify whether they are for information, for deliberation or for decision-making purposes.

2.7 The chairman is responsible for ensuring that the directors receive accurate, timely and clear information before the meetings and, where necessary, between meetings. All directors should receive the same board information.

Guideline The chairman should ensure that all directors can make a knowledgeable and informed contribution to board discussions and that there is sufficient time for consideration and discussion before decision-making.

Guideline Directors should have access to independent professional advice at the company's expense, subject to compliance with the relevant procedure laid down by the board.

2.8 The board should meet sufficiently regularly to discharge its duties effectively. The number of board and board committee meetings and the individual attendance record of directors should be disclosed in the CG Statement.

Guideline The company should consider organising - where necessary - board and committee meetings using video, telephone or internet-based means.

2.9 The board should appoint a company secretary to advise the board on all governance matters. Where necessary, the company secretary should be assisted by the company lawyer. Individual directors should have access to the company secretary.

Guideline The role of the company secretary should include ensuring, under the direction of the chairman, good information flow within the board and its committees and between the executive management and non-executive directors, as well as facilitating induction and assisting with professional development as required. The company secretary should regularly report to the board, under the direction of the chairman, on how board procedures, rules and regulations are being followed and complied with. The terms of reference of the board should describe the role and tasks of the company secretary.

PRINCIPLE 3. ALL DIRECTORS SHALL DEMONSTRATE INTEGRITY AND COMMITMENT

- 3.1** Independence of judgement is required in the decisions of all directors, executive and non-executive alike, whether the non-executive directors are independent or not.
- 3.2** Directors should make sure they receive detailed and accurate information and should study it carefully so as to acquire and maintain a clear understanding of the key issues relevant to the company's business. They should seek clarification whenever they deem it necessary.
- 3.3** While executive and non-executive directors are part of the same collegial body, they each have a specific and complementary role to play on the board.
- Guideline** Executive directors should provide all relevant business and financial information for the board to function effectively.
- Guideline** Non-executive directors should constructively challenge and help develop strategy and key policies proposed by the executive management.
- Guideline** Non-executive directors should scrutinise the performance of the executive management in meeting agreed goals.
- 3.4** Directors cannot use the information obtained in their capacity as director for purposes other than for the exercise of their mandate.
- Guideline** Directors have an obligation to handle the confidential information received in their capacity as director with caution.
- 3.5** Each member of the board should arrange his personal and business affairs so as to avoid direct and indirect conflicts of interest with the company. Transactions between the company and its board members should take place at arms' length.
- 3.6** The board should establish a policy for transactions or other contractual relationships between the company, including its related companies, and its board members, which are not covered by the legal provisions on conflicts of interest. This policy should be disclosed in the CG Charter. Comments on the application of this policy should be disclosed in the CG Statement.
- 3.7** The board shall take all necessary and useful measures for effective and efficient execution of the Belgian rules on market abuse. In this respect it should at least adhere to the provisions and guidelines laid down in Appendix B.

PRINCIPLE 4. THE COMPANY SHALL HAVE A RIGOROUS AND TRANSPARENT PROCEDURE FOR THE APPOINTMENT AND EVALUATION OF THE BOARD AND ITS MEMBERS

Nomination and appointment

- 4.1** There should be a rigorous and transparent procedure for an efficient appointment and re-appointment of directors. The board should draw up nomination procedures and selection criteria for board members, including specific rules for executive and non-executive directors where appropriate.
- 4.2** The chairman of the board or another non-executive director should lead the nomination process. The nomination committee should recommend suitable candidates to the board. The board should then make proposals for appointment or re-election to the general shareholders' meeting.
- 4.3** For any new appointment to the board, the skills, knowledge and experience already present and those needed on the board should be evaluated and, in the light of that evaluation, a description of the role and skills, experience and knowledge needed should be prepared (also referred to as a 'profile').
- 4.4** When dealing with a new appointment, the chairman of the board should ensure that, before considering the candidate, the board 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 currently held by the candidate, and, if applicable, the necessary information about the candidate's independence.
- 4.5** Non-executive directors should be made aware of the extent of their duties at the time of their application, in particular as to the time commitment involved in carrying out those duties. They should not consider taking on more than five directorships in listed companies. Changes to their other relevant commitments and their new commitments outside the company should be reported to the chairman of the board as they arise.

Guideline Non-executive directors should undertake to have sufficient time to meet what is expected of them, taking into account the number and importance of their other commitments.

- 4.6** Any proposal for the appointment of a director by the general shareholders' meeting should be accompanied by a recommendation from the board, based on the advice of the nomination committee. This provision also applies to proposals for appointment originating from shareholders.

The proposal should specify the proposed term of the mandate, which should not exceed four years. It should be accompanied by relevant information on the candidate's professional qualifications together with a list of the positions the candidate already holds. The board will indicate which candidates satisfy the independence criteria set out in Appendix A.

Without prejudice to applicable legal provisions, proposals for appointment should be communicated at least 24 days before the general shareholders' meeting, together with the other points on the agenda of the general shareholders' meeting.

- 4.7** The board should appoint its chairman on the basis of his knowledge, skills, experience and mediation strength. If the board envisages appointing the former CEO as chairman, it should carefully consider the positive and negative aspects in favour of such a decision and disclose in the CG Statement why such appointment is in the best interest of the company.

Professional development

4.8 The chairman should ensure that the newly appointed directors receive an appropriate induction to ensure their swift contribution to the board.

Guideline The induction process should help the director grasp the fundamentals of the company, including its strategy, values, governance, business challenges, key policies, finance, risk management and internal control systems.

4.9 For directors joining board committees, the induction provided should encompass a description of their specific role and duties and any other information linked to the specific role of that committee.

Guideline For new audit committee members, this programme should cover the audit committee's terms of reference and provide an overview of the company's internal control organisation and risk management systems. They should be provided, in particular, with full information on the company's specific operational, financial, accounting and auditing features. This induction should also include meeting the external auditor and the relevant company staff.

4.10 Directors should update their skills and improve their knowledge of the company to fulfil their role both on the board and on board committees.

Guideline Necessary resources should be made available to develop and update the directors' knowledge and skills.

Evaluation

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 the executive management.

Guideline Regular evaluation by the board of its own effectiveness should promote continuous improvement in the governance of the company.

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; and
- checking the board's or committee's current composition against the board's or committee's desired composition.

Guideline Although evaluation is a board responsibility, the board should be assisted in this evaluation by the nomination committee, and possibly also by external experts.

4.12 The non-executive directors should regularly (preferably once a year) assess their interaction with the executive management. In this respect, non-executive directors should meet at least once a year in the absence of the CEO and the other executive directors.

4.13 There should be a periodic evaluation of the contribution of each director aimed at adapting the composition of the board to take account of changing circumstances. When dealing with re-election, the director's commitment and effectiveness should be evaluated in accordance with a pre-established and transparent procedure.

Guideline Special attention should be given to the evaluation of the chairman of the board and the chairmen of the committees.

4.14 The board should act on the results of the performance evaluation by recognising its strengths and addressing its weaknesses. Where appropriate, this will involve proposing new members for appointment, proposing not to re-elect existing members or taking any measure deemed appropriate for the effective operation of the board.

Guideline The board should satisfy itself that plans are in place for the orderly succession of appointments to the board. It should satisfy itself that any appointment and re-election, whether of executive or non-executive directors, will allow an appropriate balance of skills and experience to be maintained on the board.

4.15 Information on the main features of the evaluation process of the board, its committees and its individual directors should be disclosed in the CG Statement.

PRINCIPLE 5. THE BOARD SHALL SET UP SPECIALISED COMMITTEES

- 5.1** The board should set up specialised committees to analyse specific issues and advise the board on those issues. The decision-making remains within the collegial responsibility of the board. The board should determine and disclose the terms of reference of each committee in the CG Charter. It should also detail the composition and operation of each committee in the CG Statement.
- 5.2** The board shall set up an audit committee in accordance with the Code on Companies. It should assist the board in fulfilling its monitoring responsibilities in respect of control in the broadest sense and follow the provisions set out in Appendix C.
- 5.3** The board should set up a nomination committee following the provisions set out in Appendix D.
- 5.4** The board should set up a remuneration committee following the provisions set out in Appendix E.
- Guideline** The nomination committee and the remuneration committee may be combined, provided that the combined committee satisfies the composition requirements for the remuneration committee.
- 5.5** The chairman of the board should ensure that the board appoints committee members and a chairman for each of those committees. Each committee is composed of at least three members. The appointments should not be for a term exceeding that of board membership.
- Guideline** In deciding on the specific composition of a committee, consideration should be given to the needs and qualifications required for the optimal functioning of that committee.
- Guideline** Each committee may invite any non-member to attend its meetings.
- 5.6** Board committees should be entitled to seek external professional advice at the company's expense after informing the chairman of the board.
- 5.7** After each committee meeting, the board should receive a report from each committee on its findings and recommendations.

PRINCIPLE 6. THE COMPANY SHALL DEFINE A CLEAR EXECUTIVE MANAGEMENT STRUCTURE

- 6.1** The board should determine, in close consultation with the CEO, the terms of reference of the executive management detailing its responsibilities, duties, powers, composition and operation. These terms should be disclosed in the CG Charter.
- 6.2** The executive management should include, at least, all executive directors. If a management committee exists, the executive management should also include all members of that committee, irrespective of whether the committee has been established within the scope of article 524bis CoC (legal management committee). A list of the members of the executive management should be disclosed in the CG Statement.
- 6.3** The nomination committee should assist the board on the nomination and succession planning of the CEO and the other members of the executive management, unless otherwise decided by the board.
- 6.4** The board should empower the executive management to enable it to perform its responsibilities and duties. Taking into account the company's values, its risk appetite and key policies, the executive management should have sufficient latitude to propose and implement corporate strategy.
- 6.5** The executive management should at least:
- 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, based on the framework approved by the board;
 - present to the board 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 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 responsible and accountable to the board for the discharge of its responsibilities.
- 6.6** Clear procedures should exist for:
- proposals from the executive management for decisions to be taken by the board;
 - the decision-making by the executive management;
 - the reporting to the board of key decisions taken by the executive management;
 - the evaluation of the CEO and other members of the executive management.

These procedures should be reviewed and adjusted, if required, to ensure the effective exercise by the board and the executive management of their respective powers and duties.

Guideline The powers to represent the company solely or jointly and the extent of, and limitations on, those powers shall be clearly defined, taking into account the way in which the board has entrusted the executive management with the running of the company and the relevant provisions of the Code on Companies. All those concerned should be fully acquainted with the scope of those powers.

- 6.7** Each member of the executive management should arrange his personal and business affairs so as to avoid direct and indirect conflicts of interest with the company. Transactions between the company and its executive managers should take place at arms' length.
- 6.8** The policy established by the board according to Provision 3.6 should also address transactions or other contractual relationships between the company, including its related companies, and its executive managers.

PRINCIPLE 7. THE COMPANY SHALL REMUNERATE DIRECTORS AND EXECUTIVE MANAGERS FAIRLY AND RESPONSIBLY

- 7.1** Levels of remuneration should be sufficient to attract, retain and motivate directors and executive managers who have the profile determined by the board.
- 7.2** The company should set up a remuneration report. This remuneration report should form a well defined part of the CG Statement.
- 7.3** The company should disclose in its remuneration report: a description of its internal procedure for developing (i) a remuneration policy for non-executive directors and executive managers and (ii) for setting the level of remuneration for non-executive directors and executive managers.
- 7.4** The company should also disclose in its remuneration report, a statement of the adopted remuneration policy for the executive managers. Any significant changes to this remuneration policy occurred since the end of the financial reported year should be explicitly emphasized in the remuneration report.
- 7.5** An individual should not decide his own remuneration.

Non-executive directors' remuneration

- 7.6** The remuneration of non-executive directors should take into account their role as ordinary board members, and specific roles, as chairman of the board, chairman or member of board committees, as well as their resulting responsibilities and commitment in time.
- 7.7** Non-executive directors should not be entitled to performance-related remuneration such as bonuses, stock related long-term incentive schemes, fringe benefits or pension benefits.
- 7.8** The amount of the remuneration and other benefits granted directly or indirectly to non-executive directors, by the company or its subsidiaries should be disclosed, on an individual basis, in the remuneration report.

Executive directors' & executive managers' remuneration

- 7.9** The level and structure of the remuneration of executive managers should be such that qualified and expert professionals can be recruited, retained and motivated, taking into account the nature and scope of their individual responsibilities.
- 7.10** If an executive manager is also a member of the board, information on the amount of remuneration he receives in such capacity should be disclosed in the remuneration report.
- 7.11** An appropriate proportion of an executive manager's remuneration package should be structured so as to link rewards to corporate and individual performance, thereby aligning the executive managers' interests with the interests of the company and its shareholders.
- 7.12** Where executive managers are eligible for incentives based on the performance of the company or its subsidiaries, the criteria for the evaluation of performance achieved against targets as well as the term of evaluation

should be disclosed in the remuneration report. This information should be provided in such a way that it does not disclose any confidential information regarding the company's strategy.

7.13 Schemes under which executive managers are remunerated in shares, share options or any other right to acquire shares should be subject to prior shareholder approval by way of a resolution at the general shareholders' meeting. The approval should relate to the scheme itself and not to the grant of share-based benefits under the scheme to individuals.

Guideline As a rule, shares should not vest and options should not be exercisable within less than three years.

7.14 The amount of the remuneration and other benefits granted directly or indirectly to the CEO, by the company or its subsidiaries should be disclosed in the remuneration report. This information should be disclosed, providing a split between:

- (a) basic remuneration;
- (b) variable remuneration: for all incentives indicating the form in which this variable remuneration is paid;
- (c) pension: the amounts paid during the financial reported year with an explanation of the applicable pension schemes; and
- (d) other components of the remuneration, such as the cost or monetary value of insurance coverage and fringe benefits, with an explanation of the details of the main components.

If the company has materially deviated from its remuneration policy during the financial reported year, it should be explained in the remuneration report.

7.15 The amount of the remuneration and other benefits granted directly or indirectly to other members of the executive management, by the company or its subsidiaries should be disclosed on a global basis, in the remuneration report. This information should be disclosed, providing a split between:

- (a) basic remuneration;
- (b) variable remuneration: for all incentives indicating the form in which this variable remuneration is paid;
- (c) pension: the amounts paid during the financial reported year with an explanation of the applicable pension schemes; and
- (d) other components of the remuneration, such as the cost or monetary value of insurance coverage and fringe benefits, with an explanation of the details of the main components.

If the company has materially deviated from its remuneration policy during the financial reported year, it should be explained in the remuneration report.

7.16 For the CEO and the other executive managers, the remuneration report should disclose, on an individual basis, the number and key features of shares, share options or any other rights to acquire shares, granted, exercised or lapsed during the financial reported year.

Contract of the CEO and the other executive managers

7.17 The board should approve the contracts for the appointment of the CEO and other executive managers further to the advice of the remuneration committee. The contracts made on or after 1 July 2009 should refer to the criteria to be taken into account when determining variable remuneration. The contract should contain specific provisions relating to early termination.

Severance pay

7.18 Any contractual arrangement made with the company or its subsidiaries on or after 1 July 2009 concerning the remuneration of the CEO or any other executive manager should specify that severance pay awarded in the event of early termination should not exceed 12 months' basic and variable remuneration.

The board may consider higher severance pay further to a recommendation by the remuneration committee. Such higher severance pay should be limited to a maximum of 18 months' basic and variable remuneration. The contract should specify when such higher severance pay may be paid. The board should justify this higher severance pay in the remuneration report.

Guideline Basic remuneration component should be based on the monthly remuneration paid the last month before termination. Variable remuneration component should be contractually determined. It should be based on variable compensation effectively paid during the contract. It could, for instance, refer to the previous year's variable remuneration or to the mean value of the variable remuneration paid over a specific number of previous years.

Guideline Examples of when a higher severance pay could be paid include: departure because of a merger, a change of control or a change of strategy; existing termination rights within the company; the candidate's years of service in his previous position; necessary condition for obtaining the candidate's agreement.

The contract should specify that the severance package should neither take account of variable remuneration nor exceed 12 months' basic remuneration if the departing CEO or executive manager did not meet the performance criteria referred to in the contract.

PRINCIPLE 8. THE COMPANY SHALL ENTER INTO A DIALOGUE WITH SHAREHOLDERS AND POTENTIAL SHAREHOLDERS BASED ON A MUTUAL UNDERSTANDING OF OBJECTIVES AND CONCERNS

8.1 The company should treat all shareholders equally and respect their rights.

Communication with shareholders and potential shareholders

8.2 The company should design a disclosure and communication policy promoting an effective dialogue with shareholders and potential shareholders.

8.3 The company should ensure that all necessary facilities and information to enable shareholders to exercise their rights are available. The company should dedicate a specific section of its website to describing the shareholders' rights to participate and vote at the general shareholders' meeting. This section should also contain a timetable on periodic information and shareholders' meetings. The articles of association and the CG Charter should be available at any time.

8.4 The company should disclose the identity of its major shareholders in its CG Charter, together with a description of their voting rights and special control rights, and, if they act in concert, a description of the key elements of existing shareholders' agreements. The company should also disclose other direct and indirect relationships between the company and major shareholders.

General shareholders' meeting

8.5 The company should encourage the shareholders to participate in the general shareholders' meeting. The general shareholders' meeting should be used to communicate with shareholders. Those shareholders who are not present should be able to vote in absentia, such as by proxy voting.

Guideline The company could, in this respect, also take into account how non-resident shareholders can exercise their rights. Given the existing framework, the company should consider whether communication technology could offer solutions to some practical issues and whether an appropriate approach could be developed in this respect.

Guideline The company should discuss with financial intermediaries how to increase participation at the general shareholders' meeting.

Guideline The company should ask institutional shareholders and their voting agencies for explanations on their voting behaviour.

8.6 The company should make the relevant information accessible through its website in advance of general shareholders' meeting.

8.7 On convening meetings, the company should provide appropriate explanations on agenda items and on resolutions put forward by the board. In addition to the formalities imposed by the Code on Companies in this respect, the company should use its website to make public all relevant information and documentation on the exercise of the shareholders' voting rights.

8.8 The level of shareholding for the submission of proposals by a shareholder to the general shareholders' meeting should not exceed 5% of the share capital.

8.9 The chairman conducts the general shareholders' meeting and should take the necessary measures to ensure that any relevant questions from shareholders are answered. At the general shareholders' meeting, the directors should answer questions put to them by the shareholders on their annual report or on the items on the agenda.

Guideline Under the guidance of the chairman of the board, directors should answer such questions, insofar as the answers would not materially prejudice the company, its shareholders or its employees.

8.10 The company should post the results of votes and the minutes of the general shareholders' meeting on its website as soon as possible after the meeting.

Companies with one or more controlling shareholder(s)

8.11 For companies with one or more controlling shareholder(s), the board should endeavour to have the controlling shareholder(s) make a considered use of its/their position and respect the rights and interests of minority shareholders. The board should encourage the controlling shareholder(s) to respect this Code.

Shareholders

8.12 Given the reliance on market monitoring to enforce the flexible 'comply or explain' approach of this Code, the board should take the necessary measures to encourage shareholders, and in particular institutional shareholders, to play an important role in carefully evaluating a company's corporate governance. The board should endeavour to ensure that institutional and other shareholders weigh up all relevant factors drawn to their attention.

8.13 The board should endeavour to ensure that shareholders carefully consider the explanations given for deviating from this Code and encourage them to make reasoned judgements in each case. The board should engage in a dialogue with shareholders if those shareholders do not accept the company's position, bearing in mind in particular the company's size and complexity and the nature of the risks and challenges it faces.

PRINCIPLE 9. THE COMPANY SHALL ENSURE ADEQUATE DISCLOSURE OF ITS CORPORATE GOVERNANCE

- 9.1** The company should establish a CG Charter describing all the main aspects of its corporate governance policy, including at least the elements listed in the provisions of Appendix F, 9.1./1.
- 9.2** The CG Charter should be updated as often as needed to reflect the company's corporate governance at any time. It should be made available on the company's website and should specify the date of the most recent update.
- 9.3** The company should establish a CG Statement in its annual report describing all relevant corporate governance events that have taken place during the year under review. This CG Statement should be included in a specific section of the annual report and should contain at least the information listed in Appendix F, 9.3./1-2.
- 9.4** The company should state both in its CG Statement and its CG Charter that it has adopted this Code as its reference code. If the company has not complied fully with one or more provisions of this Code, it should explain its reasons for not having done so in the CG Statement ('comply or explain').

Appendix A. Criteria of independence

2.4./1 All independent directors appointed in application of the Code on Companies shall respect the following criteria (article 526ter CoC):

- 1) *Not being an executive member of the board, or exercising a function as a member of the legal management committee or as a person entrusted with daily management of the company or a related company or person (as defined in article 11 CoC), and not having been in such a position for the previous five years before his nomination.*
- 2) *Not having served for more than three terms as a non-executive director of the board, without exceeding a total term of more than twelve years.*
- 3) *Not being an employee of the senior management (as defined in article 19,2° of the law of 20 September 1948 regarding the organisation of the business industry), of the company or an related company or person (as defined in article 11 CoC) and not having been in such a position for the previous three years before his nomination;*
- 4) *Not receiving, or having received, any significant remuneration or other significant advantage of a patrimonial nature from the company, or an related company or person (as defined in article 11 CoC) apart from any bonus or fee he receives or has received as a non-executive member of the board;*
- 5) (a) *Not holding any shareholder rights representing one tenth or more of the company's capital, the company's social funds or of a class of shares of the company;*

(b) *If the independent director holds shareholder rights representing less than one tenth:*
 - *not holding shareholder rights representing, together with the shareholder rights owned in the same company by companies controlled by the independent director, one tenth or more of the company's capital, the social funds or of a class of shares of the company; or*
 - *the disposal of those shares or the exercise of the related rights not being subject to contractual stipulations or unilateral undertakings given by the independent director;*
- (c) *Not representing, in any circumstances, a shareholder fulfilling the conditions covered under this point 5).*
- 6) *Not having, or having had within the financial reported year, a significant business relationship with the company or a related company or person (as defined in article 11 CoC), either directly or as partner, shareholder, member of the board, member of the senior management (as defined in article 19,2° of the law of 20 September 1948 regarding the organisation of the business industry) of a company or person who maintains such a relationship;*
- 7) *Not being or having been within the last three years, a partner or employee of the current or former external auditor of the company or a related company or person (as defined in article 11 CoC);*
- 8) *Not being an executive director of another company in which an executive director of the company is a non-executive member of the board, and not having other significant links with executive directors of the company through involvement in other companies or bodies.*

9) *Not being a spouse, legal partner or close family member to the second degree of a director or member of the legal management committee or person entrusted with the daily management or employee of the senior management (as defined in article 19,2° of the law of 20 September 1948 regarding the organisation of the business industry) in the company or a related company or person (as defined in article 11 CoC) or of the persons referred to in (1) to (8) above.*

2.4./2 Notwithstanding provision 2.4./1., independent directors appointed according to art. 524, §4 CoC before the entry into force of article 526ter CoC (8 January 2009), shall remain independent until reappointed or at the latest until 1 July 2011.

2.4./3 All other independent directors within the meaning of this Code should respect the criteria set out above in provision 2.4./1.

Appendix B. Transactions in company stock and compliance with the Belgian rules on market abuse.

3.7./1 The board should draw up a set of rules (the "dealing code") regulating transactions and the disclosure of such transactions in shares of the company or in derivatives or other financial instruments linked to them (the "company stock") carried out for their own account by directors and other persons discharging managerial responsibilities. The dealing code should specify which information regarding those transactions should be disclosed to the market.

Guideline The dealing code should set limitations on the carrying out of transactions in the company stock for a designated period preceding the announcement of its financial results (a "closed period") or in any other period considered sensitive (a "prohibited period").

Guideline The board should ensure that a compliance officer is appointed who will have the duties and responsibilities assigned by the dealing code. The compliance officer should at least monitor the directors' and other persons' discharging managerial responsibilities compliance with the dealing code.

Guideline The dealing code should provide that before any transaction in the company stock, a director or another person discharging managerial responsibilities should at least inform the compliance officer about the transaction he intends to carry out.

Guideline If a director or the other person discharging managerial responsibilities carries out a transaction in company stock and the compliance officer has been informed, the transaction should be made public according to the dealing code.

3.7./2 The board should also designate the other persons to whom these rules shall apply.

Appendix C. Audit committee

- 5.2./1** The board shall set up an audit committee composed exclusively of non-executive directors. (cfr. art.526bis, §1-2 CoC)
- 5.2./2** Those companies who meet the requirements of article 526bis, §3 CoC may permit the functions assigned to the audit committee to be performed by the board as a whole, provided that if the chairman of the board is an executive member he shall not chair the board operating as audit committee. (art. 526bis, §3 CoC)
- 5.2./3** Without prejudice to 5.2./2, the chairman of the board should not chair the audit committee.
- 5.2./4** At least a majority of the audit committee's members should be independent. At least one of them shall have accounting and auditing expertise.
- 5.2./5** The board should satisfy itself that the audit committee has sufficient relevant expertise, notably in accounting, auditing and finance, to fulfil its role effectively.
- 5.2./6** *Without prejudice to the legal responsibilities of the board, the audit committee shall have at least the following roles:*
- *monitoring the financial reporting process;*
 - *monitoring the effectiveness of the company's internal control and risk management systems;*
 - *if there is an internal audit, monitoring the internal audit and its effectiveness;*
 - *monitoring the statutory audit (wettelijke controle/contrôle legal) of the annual and consolidated accounts, including any follow-up on any questions and recommendations made by the external auditor; and*
 - *reviewing and monitoring the independence of the external auditor, in particular regarding the provision of additional services to the company. (art. 526bis, al. 1^{er} §4a-e CoC)*
- 5.2./7** The board should determine any additional roles of the audit committee.
- 5.2./8** *The audit committee shall report regularly to the board on the exercise of its duties, and at least when the board sets up the annual accounts, the consolidated accounts, and where applicable the condensed financial statements intended for publication. (art. 526bis, §4, al.2 CoC)*
- 5.2./9** The audit committee should also report regularly to the board on the exercise of its duties, identifying any matters in respect of which it considers that action or improvement is needed, and making recommendations as regards the steps to be taken.
- 5.2./10** Parent companies should ensure that the audit review, and the reporting on that review, covers the group as a whole.

Financial reporting process

- 5.2./11** When monitoring the financial reporting process, the audit committee should, in particular, review the relevance and consistency of the accounting standards used by the company and its group. This includes the criteria for the consolidation of the accounts of companies in the group.

This review should involve assessing the correctness, completeness and consistency of financial information.

The review should cover periodic information before it is made public. It should be based on an audit programme adopted by the audit committee.

5.2./12 Executive management should inform the audit committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In this respect, particular attention should be paid to both the existence of, and the justification for, any activity carried out by the company in offshore centres and/or through special purpose vehicles.

5.2./13 The audit committee should discuss significant financial reporting issues with both the executive management and the external auditor.

Internal control and risk management systems

5.2./14 The monitoring of the effectiveness of the company's internal control and risk management systems set up by the executive management should be done at least once a year, with a view to ensuring that the main risks (including those relating to fraud and compliance with existing legislation and regulations) are properly identified, managed and disclosed according to the framework approved by the board.

5.2./15 The audit committee should review the statements included in the CG Statement on internal control and risk management.

5.2./16 The audit committee should review the specific arrangements in place which the staff of the company may use, in confidence, to raise concerns about possible improprieties in financial reporting or other matters. If deemed necessary, arrangements should be made for proportionate and independent investigation of such matters, for appropriate follow-up action and arrangements whereby staff can inform the chairman of the audit committee directly.

Internal audit

5.2./17 An independent internal audit function should be established, with resources and skills adapted to the company's nature, size and complexity. If the company does not have an internal audit function, the need for one should be reviewed at least annually.

5.2./18 The audit committee should review the internal auditor's work programme, having regard to the complementary roles of the internal and external audit functions. It should receive internal audit reports or a periodic summary thereof.

5.2./19 In particular, the audit committee should make recommendations on the selection, appointment, reappointment and removal of the head of internal audit and on the budget allocated to internal audit, and should monitor management's responsiveness to the audit committee's findings and recommendations.

External audit

- 5.2./20** The audit committee should make a proposal to the board on the selection, appointment and reappointment of the external auditor, as well as on the terms of his engagement. The board should submit a proposal to the shareholders for approval.
- 5.2./21** The audit committee's proposal on the appointment of the external auditor shall be included on the agenda of the general shareholders' meeting. The same applies for the renewal of this appointment. (art. 130 CoC, art. 533 CoC)
- 5.2./22** *The external auditor shall:*
- annually confirm, in writing, to the audit committee, its independence from the company;
 - annually inform the audit committee about the additional services provided to the company;
 - examine with the audit committee the risks relating to its independence and the safety measures taken to decrease these risks as documented by him. (art. 526bis, §6 CoC)
- 5.2./23** The audit committee should obtain a report from the external auditor describing all relationships between the external auditor and the company and its group.
- 5.2./24** The audit committee should also monitor the nature and extent of the additional services provided. The audit committee should propose to the board and apply a formal policy specifying the types of additional services that are:
- excluded;
 - permissible after review by the committee; and
 - permissible without referral to the audit committee, taking into account the specific requirements of the Code on Companies.
- 5.2./25** *Without prejudice to the legal provisions, which require that the statutory auditor provides reports or warnings to the administrative bodies of the company, the external auditor shall report to the audit committee, on the key matters arising from the statutory audit of the annual accounts, and in particular on material weaknesses in internal control in relation to the financial reporting process. (art. 526bis, §5 CoC)*
- 5.2./26** The audit committee should review the effectiveness of the external audit process, and management's responsiveness to the recommendations made in the external auditor's management letter.
- 5.2./27** The audit committee should investigate the issues giving rise to any resignation of the external auditor, and should make recommendations regarding any required action.

Operation of the audit committee

- 5.2./28** The audit committee should meet at least four times a year. It should regularly (and at least every two to three years) review its terms of reference and its own effectiveness and recommend any necessary changes to the board.
- 5.2./29** At least twice a year, the audit committee should meet the external and internal auditors to discuss matters relating to its terms of reference and any issues arising from the audit process, and in particular any material weaknesses in the internal control.

- 5.2./30** The audit committee should decide whether, and if so when, the CEO, the chief financial officer (or senior employees responsible for finance, accounting, and treasury matters), the internal auditor and external auditor should attend its meetings. The audit committee should be entitled to meet with any relevant person without any executive manager being present.
- 5.2./31** In addition to maintaining an effective working relationship with executive management, the internal and external auditors should be guaranteed free access to the board. To this effect, the audit committee should act as the principal point of contact for the internal and external auditors. The external auditor and the head of the internal audit team should have direct and unrestricted access to the chairman of the audit committee and the chairman of the board

Appendix D. Nomination committee

5.3./1 The board should set up a nomination committee, the majority of it comprising independent non-executive directors.

5.3./2 The chairman of the board or another non-executive director should chair the committee.

5.3./3 The chairman of the board can be involved but should not chair the nomination committee when dealing with the designation of his successor.

5.3./4 The nomination committee should make recommendations to the board with regard to the appointment of directors, the CEO and the other members of the executive management.

Guideline The role of the nomination committee should be to ensure that the appointment and re-election process is organised objectively and professionally.

Guideline More specifically, the nomination committee should at least:

- draft appointment procedures for board members, the CEO and the other members of the executive management;
- periodically assess the size and composition of the board and make recommendations to the board with regard to any changes;
- identify and nominate, for the approval of the board, candidates to fill vacancies as they arise;
- advise on proposals for appointment originating from shareholders;
- properly consider issues related to succession planning.

5.3./5 The nomination committee should consider proposals made by relevant parties, including management and shareholders. In particular, the CEO should be entitled to submit proposals to, and be adequately consulted by, the nomination committee, especially when dealing with issues concerning executive directors or the executive management.

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

Appendix E. Remuneration committee

- 5.4./1** The board should set up a remuneration committee composed exclusively of non-executive directors. At least a majority of its members should be independent. The chairman or another non-executive director should chair the committee.
- 5.4./2** The remuneration committee should make proposals to the board on the remuneration policy for non-executive directors and executive managers, as well as, where appropriate, on the resulting proposals to be submitted by the board to the shareholders.
- 5.4./3** The remuneration committee should make proposals to the board regarding the remuneration of directors and executive managers, including variable remuneration and long-term incentives, whether or not stock-related, in the form of stock options or other financial instruments, and regarding the arrangements on early termination, and where applicable, on the resulting proposals to be submitted by the board to the shareholders.
- 5.4./4** The remuneration committee should submit a remuneration report to the board.
- 5.4./5** The remuneration committee should meet at least twice a year and whenever it deems it necessary in order to carry out its duties.
- 5.4./6** The remuneration committee should report regularly to the board on the exercise of its duties.
- 5.4./7** The CEO should participate to the meetings of the remuneration committee where the committee deals with the remuneration of other executive managers.
- 5.4./8** The remuneration committee should regularly (at least every two to three years) review its terms of reference and its own effectiveness and recommend any necessary changes to the board.

Appendix F. Disclosure requirements

[Numbers between brackets are references to the provisions of the Code.]

The CG Charter

9.1./1 The CG Charter should at least include:

- a description of the governance structure of the company, with the terms of reference of the board [Principle 1, 1.1, 2.9];
- the policy established by the board for transactions and other contractual relationships between the company, including its related companies, and its board members and executive managers, to the extent not covered by the legal provisions on conflicts of interest [3.6] [6.8];
- the measures taken by the company in order to comply with the Belgian rules on market abuse [3.7];
- the terms of reference of each committee [5.1];
- the terms of reference of the executive management [6.1];
- the identity of its major shareholders, with a description of their voting rights and special control rights, and, if they act in concert, a description of the key elements of existing shareholders' agreements [8.4];
- any other direct and indirect relationships between the company and major shareholders [8.4];
- a statement that the company adopts this Code as its reference code [9.4].

The CG Statement

9.3./1 The CG Statement of the annual report should at least include the information set out below:

- a statement that the company adopts this Code as its reference code [9.4];
- in the event that the company does not fully comply with this Code, an indication of the provisions of this Code that were not complied with during the year and an explanation of its reasons for non compliance [9.4];
- a description of the main features of the company's internal control and risk management systems [1.3];
- a description of the composition and operation of the board and its committees including, at least:
 - a list of the members of the board indicating which directors are independent [2.1] [2.4];
 - information on any directors who have ceased to satisfy the requirements of independence [2.4];
 - an activity report on board and board committees meetings including the number of board and board committee meetings and the individual attendance records of directors [2.8];
 - a list of the members of the board's committees [5.1] [5.2] [5.3] [5.4];
 - if applicable, the reasons why the appointment of the former CEO as chairman is in the best interest of the company [4.7]; and

- a list of the members of the executive management [6.2];
- comments on the application of the policy established by the board for transactions and other contractual relationships between the company, including its related companies, and its board members and executive managers, to the extent not covered by the legal provisions on conflicts of interest [3.6] [6.8];
- information on the main features of the process for evaluating the board, its committees and its individual directors [4.15];
- key features of any incentives granted in shares, options or any other right to acquire shares as approved by, or submitted to, the general shareholders' meeting [7.13].

9.3./2. The CG Statement should also include a remuneration report which contains at least the information set out below [7.2]:

- a description of the procedure adopted for the applicable financial reported year for (i) developing a remuneration policy for non-executive directors and executive managers and (ii) setting the level of remuneration for non-executive directors and executive managers [7.3];
 - a statement of the company's remuneration policy for executive managers, as applicable for the financial reported year at least reporting the following information [7.4]:
 - (a) the principles on which the remuneration is based with an indication of the link between remuneration and performance;
 - (b) the relative importance of the various components of the remuneration;
 - (c) the characteristics of any performance bonus in shares, share options or any other rights to acquire shares;
 - (d) any significant changes to the remuneration policy occurred since the end of the financial reported year;
 - on an individual basis, the amount of the remuneration and other benefits granted directly or indirectly by the company or its subsidiaries, to each non-executive director [7.8];
 - if an executive manager is also a member of the board, information on the amount of remuneration he receives in such capacity [7.10];
 - if the executive managers are eligible for incentives based on the performance of the company or its subsidiaries, the criteria for the evaluation of performance achieved against targets, as well as the duration of the evaluation. This information should be provided in such a way that it does not disclose any confidential information regarding the company's strategy [7.12];
 - the amount of the remuneration and other benefits granted directly or indirectly to the CEO by the company or its subsidiaries. This information should be disclosed providing a split between:
 - (a) basic remuneration;
 - (b) variable remuneration: for all incentives, indicating the form in which this variable remuneration is paid;
 - (c) pension: the amounts paid during the financial reported year with an explanation of the applicable pension schemes; and
 - (d) other components of the remuneration, such as the cost or monetary value of insurance coverage and fringe benefits, with an explanation of the details of the main components.
- if the company has materially deviated from its remuneration policy during the financial reported year, this should be explained [7.14];

- on a global basis, the amount of the remuneration and other benefits granted directly or indirectly to the other members of the executive management by the company or its subsidiaries. This information should be disclosed providing a split between:

- (a) basic remuneration;
- (b) variable remuneration: for all incentives, indicating the form in which this variable remuneration is paid;
- (c) pension: the amounts paid during the financial reported year with an explanation of the applicable pension schemes; and
- (d) other components of the remuneration, such as the cost or monetary value of insurance coverage and fringe benefits, with an explanation of the details of the main components.

if the company has materially deviated from its remuneration policy during the financial reported year, this should be explained [7.15];

- for each executive manager, specified on an individual basis, the number and key features of shares, share options or any other rights to acquire shares, granted, exercised or lapsed during the financial reported year [7.16];

- if on or after 1 July 2009, the appointment contract of the CEO or any other executive manager provides for a severance pay exceeding 12 months' basic and variable remuneration without exceeding 18 months', a specification of when such higher severance pay could be paid and justification of this higher severance pay, on an individual basis [7.18].

COMPOSITION OF THE CORPORATE GOVERNANCE COMMITTEE

The Committee is composed of

President

- Herman Daems
- o Chairman, Gimv
 - o Chairman, Fortis Bank
 - o Chairman, Barco

Members

- Marco Becht
- o Executive Director, European Corporate Governance Institute
 - o Professor of Finance and Economics, Ecares, Université Libre de Bruxelles
- Pierre-Olivier Beckers
- o Managing Director, Chairman of the Executive Committee, Delhaize Group
 - o Chairman, International Food Retailers Association
 - o Chairman, Belgian Interfederal Olympic Committee
- Didier Bellens
- o Managing Director & Chief Executive Officer, Belgacom
- Pierre P. Berger
- o President, Institute of Registered Auditors
- Karel Boone
- o Honorary Chairman, Federation of Enterprises in Belgium
 - o Chairman, Lotus Bakeries
 - o Chairman, UCB
- Bruno Colmant
- o Chairman and Chief Executive Officer, Euronext Brussels
 - o Visiting Professor at UCL and Vlerick Management School
- Xavier Dieux
- o Lawyer and Professor at ULB
- Koen Geens
- o Lawyer and Professor at KUL
- Philippe Lambrecht
- o Director, Secretary-General, Federation of Enterprises in Belgium
 - o Professor at UCL
 - o Secretary of the Committee

- Thomas Leysen
- o Chairman, Federation of Enterprises in Belgium
 - o Chairman, Umicore
 - o Chairman, Corelio
- Axel Miller
- o Partner-director, Petercam
 - o Chairman, Carmeuse
- Aloïs Michielsens
- o Chairman, Solvay
- Jean-Paul Servais
- o Chairman of the Management Committee, Banking, Finance and Insurance Commission
 - o Chairman of the High Council for the Economic Professions
- Robert Tollet
- o Chairman of the Central Economic Council
- Emiel Van Broekhoven
- o Professor emeritus, University of Antwerp
 - o Director, Flemish Federation of Investment Clubs and Investors
- Hugo Vandamme
- o Chairman of the Listed Companies' Association
 - o Chairman, Roularta Media Group and Alfacam
 - o Vice Chairman, Picanol
- Lutgart Van den Berghe
- o Executive Director, GUBERNA
 - o Extraordinary Professor of Corporate Governance at the University of Ghent and Vlerick Leuven Ghent Management School
 - o Director, Belgacom
- Luc Vansteenkiste
- o Honorary Chairman, Federation of Enterprises in Belgium
 - o Managing Director, Recticel
 - o Chairman, Spector Photo Group

The Committee is assisted by a Permanent Working Group, composed of:

- o Philippe Lambrecht, Chairman

- o Christine Darville, Head of Legal Department, Federation of Entreprises in Belgium
- o Anne-Sophie Pijcke, Head of Legal and Regulation Affairs, Euronext Brussels
- o Astrid Rubens, Research Associate, GUBERNA
- o David Szafran, Secretary-General, Institute of Registered Auditors
- o Lutgart Van den Berghe, Executive director, GUBERNA

Thierry Lhoest, Deputy Director, CBFA attends the meetings of the PWG.

The Committee also expresses its gratitude to the following persons for their contribution to the work of the Permanent Working Group:

- o Sonja D'Hollander, Adviser, CBFA
- o Nathalie Houyoux, Adjunct-Adviser, Institute of Registered Auditors
- o Fleur Longfils, Adjunct-Adviser, Federation of Entreprises in Belgium
- o Isabel Lopez Martinez, Legal Counsel, Euronext Brussels



www.corporategovernancecommittee.be

2009 Edition

Design and production

www.landmarks.be

Printing

Identic

Editor responsible at law

Philippe Lambrecht

Rue des Sols 8

B - 1000 Brussels

Legal deposit

D/0140/2009/01