



Corporate
Governance
COMMITTEE

THE 2020 BELGIAN CODE ON CORPORATE GOVERNANCE

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FOREWORD

This is the third Belgian Code on Corporate Governance, which replaces the versions previously published in 2004 and 2009. The 2009 Code was indeed due for a revision. Since its publication, there have been numerous changes to the Belgian and European regulatory framework. Furthermore, the new Belgian Code on Companies and Associations will enter into force in 2020. This contains a number of significant changes for listed companies. Also, at the societal and academic level, there have been additional insights and debates on the sound management of listed companies (further referred to as 'governance' in the 2020 Code). Therefore, an overhaul was needed to keep the Code coherent and relevant.

The 2020 Code is the result of in-depth and at times intense discussions among the members of the Corporate Governance Committee (the Committee). The draft of this new 2020 Code was subjected to a broad consultation, in which both board members and executives, but also investors, academics, and trade union and non-governmental organization representatives were heard. This input has enriched the final 2020 Code, as amendments were made following the consultation to take account of a wide range of suggestions and comments. I would like to thank all who have devoted their energies to this effort.

The new Code on Companies and Associations provides the option of a two-tier structure, with a supervisory board distinct from the management board. At the same time, the option of instituting a "directiecomité/comité de direction" (legal executive committee) previously adopted by a number of listed companies, has been abolished (except for financial institutions, for whom it remains mandatory).

The two-tier structure has been the norm for many years in several neighbouring countries, in particular in the Netherlands and Germany, where it has proven its efficacy. Therefore, it is welcomed that the legislator is now offering this option to Belgian companies. Since this is an entirely new concept in Belgian governance practice, it is relatively unfamiliar for many, so companies will need to engage in a thorough reflection on this new possibility. The first principle of the 2020 Code is that companies must make an explicit and informed decision about which governance structure is most appropriate for them. It is advisable for the company to reassess this decision at regular intervals, in the light of the company's development and changes to the environment in which it operates.

The revision of the 2009 Code was also an opportunity for the Committee to place even more emphasis on sustainable value creation. This involves an explicit focus on the long term, on responsible behaviour at all levels of the company and on the permanent consideration of the legitimate interests of stakeholders. More explicit expectations are also formulated in terms of diversity, talent development and succession planning, and in relation to the company's annual reporting on non-financial matters.

This emphasis on the long term also extends to the remuneration policy. For instance, a minimum number of shares are required to be held by the members of the executive management during their term of office. As for board members, part of their remuneration should be paid out in shares, which must be held until after the expiry of their term of office. This provision provoked a number of reactions during the public consultation, and it certainly imposes a constraint on board members who were accustomed to being immediately and exclusively paid in cash. Nevertheless, the Committee is of the opinion that this provision will help to ensure that those concerned act from the perspective of long-term shareholders.

Another innovation concerns the implementation of the concept "relationship agreement". The Committee encourages the board to assess whether the company would benefit from concluding such an agreement.

The Committee has taken great care to ensure that the 2020 Code is as reader-friendly and clear as possible, and that it is based on principles rather than on numerous detailed guidelines and rules. For instance, the 2020 Code does not reiterate provisions already enacted by the legislator. This clarifies that the provisions of the 2020 Code are supplementary to the legislation currently in force. This also means that all provisions are subject to the ‘comply or explain’ principle. The 2020 Code is based on a generally-accepted vision of governance. However, compliance with a number of provisions may not be suitable in specific circumstances. In this case, the Code provides for the possibility to deviate from its provisions, provided that there are justified reasons for doing so. This requires board members to reflect on the objective of the provision and the underlying idea. A deviation is not a problem as such, provided that the reasons are adequately motivated and reported. The 2020 Code provides guidance on how to do this. The Committee will continue to monitor the quality of the reported explanations on an annual basis. Where explanations are given that are insufficiently convincing, the Committee will take this up directly with the company in question.

As previously stated, the 2020 Code contains several amended concepts and provisions. Therefore, it is important that companies are given sufficient time to consider these and to make the necessary changes. For this reason, although the 2020 Code will only enter into force in 2020, it is published already now, alongside the new Code on Companies and Associations. However, if companies feel they are ready earlier, they may immediately apply the new 2020 Code.

Ultimately, governance is about people. Their values, skills, conduct and their respectful treatment of others determine the company’s long-term success. The authors of this 2020 Code are aware that not everything can be understood or regulated by principles. However, they hope that the new 2020 Code will provide an important basis for anyone who has a responsibility for the sustainability and development of our listed companies.



Thomas Leysen
*Corporate Governance
Committee Chair*

HOW TO USE THE 2020 CODE?

1. STRUCTURE OF THE 2020 CODE

The 2020 Code (the Code) is structured under **ten principles, considered as essential** pillars of good governance. These principles are further detailed in a number of **provisions** which are recommendations for their effective implementation. All listed companies are expected to comply with the principles at all time. They are expected to also comply with all provisions, unless they provide an adequate explanation for deviating from a provision, taking into account their specific situation.

2. DISCLOSURE

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

This disclosure should be effected through 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 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 as and when changes are implemented.

The Corporate Governance Statement should include all elements required by law, as well as the statements about how the Code is applied, including the adequate explanations for deviations from the provisions of the Code. It is the board's responsibility to ensure the accuracy and completeness of the Corporate Governance Charter and of the Corporate Governance Statement.

3. MONITORING

The application of the Code will be monitored by various parties including the company's shareholders, the statutory auditor and the Financial Services and Markets Authority (FSMA). Each year, the Corporate Governance Committee will commission a monitoring study, establishing the level of compliance for all listed companies and examining the adequacy of the explanations that are provided for deviating from any of the provisions of the Code.

Conformity with the Code is to be assessed with respect to both its letter and its spirit, taking into account the specificities of each company subject to the Code. If explanations are not deemed adequate, the Corporate Governance Committee will inform the company's chair.

4. APPLICATION

The Code applies to companies incorporated in Belgium whose shares are admitted to trading on a regulated market ('listed companies') as defined by the Code on Companies and Associations.

The Code applies *compulsorily* to reporting years beginning on or after 1 January 2020 ('compulsory application'). However, the company may already choose to apply the Code for reporting years beginning on or after 1 January 2019 ('optional application'). In either case, the Code will replace the 2009 Code.

Specific governance rules apply to the financial sector such as, for example, the legal obligation to set up an executive committee. Consequentially, when such a company complies with specific regulations, no explanation for any deviation is required if this deviation is made in order to comply with the specific governance framework for the financial sector.

5. TERMINOLOGY

The Code applies to both types of governance structure. In this perspective, the following terminology is used in the Code:

TERMINOLOGY IN THE CODE	ONE-TIER STRUCTURE	TWO-TIER STRUCTURE
“board”	board of directors	supervisory board
“board member”	member of the board of directors - director	member of the supervisory board
“non-executive board member”	non-executive director	member of the supervisory board
“independent board member”	independent non-executive director	independent member of the supervisory board
“executive management”	executive directors and members of an executive committee	management board
“executive”	executive director or member of an executive committee	member of the management board

The term “CEO” is used throughout the Code as referring to the person leading the executive committee in a one-tier structure, and the person leading the management board in a two-tier structure.

If a provision/part of a provision applies *exclusively* to the one-tier structure, this is specified through the introductory phrase “[in] the one-tier structure”.

Furthermore, the *distinctive features* of the two-tier structure may be specified in a provision/part of a provision in italics or through the introductory phrase “[in] the two-tier structure”.

Finally, if provisions are also applicable to the *executive management* in a one- or two-tier structure, this may be detailed in a separate provision with a distinct numbering (and in italics if solely applicable to the two-tier structure).

THE CORPORATE GOVERNANCE PRINCIPLES

PRINCIPLE 1.

THE COMPANY SHALL MAKE AN EXPLICIT CHOICE REGARDING ITS GOVERNANCE STRUCTURE AND CLEARLY COMMUNICATE IT

- 1.1** Each company shall make an explicit choice of one of the possible governance structures permitted by law.

The *one-tier* structure consists of the board of directors, which is authorized to carry out all actions that are necessary or useful to achieve the company's purpose, except for those for which the general meeting is authorized by law.

The *two-tier* structure consists of the supervisory board and the management board. The supervisory board is responsible for the general policy and strategy of the company and for all actions that are specifically reserved to it pursuant to the Code on Companies and Associations (CCA). In addition, the supervisory board is responsible for supervising the management board. The management board exercises all management powers that are not reserved to the supervisory board in accordance with the CCA.

At least once every five years, the board should review whether the chosen governance structure is still appropriate, and if not, it should propose a new governance structure to the general shareholders' meeting.

- 1.2** The board should ensure that this governance structure is correctly implemented in practice and that the main aspects of the company's governance structure are clearly described in the company's Corporate Governance (CG) Charter. The company's CG Charter should be updated as often as needed to reflect the company's current governance structure at any time and should be disclosed on the company's website (explicitly specifying the date of the most recent update).
- 1.3** The company should include a CG Statement in its annual report describing all relevant information on events affecting its governance during the year under review, including any material amendments made to the company's CG Charter.

PRINCIPLE 2.

THE BOARD AND THE EXECUTIVE MANAGEMENT SHALL REMAIN WITHIN THEIR RESPECTIVE REMITS AND INTERACT CONSTRUCTIVELY

BOARD

- 2.1 The board should pursue sustainable value creation by the company, by setting the company's strategy, putting in place effective, responsible and ethical leadership and monitoring the company's performance.
- 2.2 In order to effectively pursue such sustainable value creation, the board should develop an inclusive approach that balances the legitimate interests and expectations of shareholders and other stakeholders.
- 2.3 The board should support the executive management in the fulfilment of their duties and should be prepared to constructively challenge the executive management whenever appropriate.
- 2.4 The board members should be available to give advice, also outside of board meetings.

Strategy

- 2.5 The board of directors should decide on and regularly review the company's medium and long-term strategy based on proposals from the executive management.

The supervisory board should approve and regularly review the company's medium and long-term strategy based on proposals from the management board.

- 2.6 The board of directors should ensure that it approves the operational plans and main policies developed by the executive management to give effect to the approved company strategy.

The supervisory board should monitor the operational plans and main policies developed by the management board to give effect to the approved company strategy.

- 2.7 The board should ensure that the company's culture is supportive of the realisation of its strategy and that it promotes responsible and ethical behaviour.

- 2.8 The board of directors should determine the risk appetite of the company in order to achieve the company's strategic objectives.

The supervisory board should approve the risk appetite of the company on the proposal of the management board in order to achieve the company's strategic objectives.

Leadership

- 2.9** The board should appoint and dismiss the CEO. The board should also appoint and dismiss the other members of the executive management, in consultation with the CEO, and taking into account the need for a balanced executive team.
- 2.10** The board should satisfy itself that there is a succession plan in place for the CEO and the other members of the executive management, and review this plan periodically.
- 2.11** The board should determine the company's remuneration policy for non-executive board members and executives, taking into account the overall remuneration framework of the company.
- 2.12** The board should review the executive management's performance and the realisation of the company's strategic objectives annually against agreed performance measures and targets.
- 2.13** The board should make proposals to the general shareholders' meeting for the appointment or re-appointment of board members and should ensure that there is a succession planning for board members in place.

Monitoring

- 2.14** The board should approve the framework of internal control and risk management proposed by the executive management and review the implementation of this framework.
- 2.15** The board should 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 in accordance with applicable law.
- 2.16** The board should ensure that the company presents an integrated view of the company's performance in its annual report and that it contains sufficient information on issues of societal concern and the relevant environmental and social indicators.
- 2.17** The board should ensure that there is a process in place for monitoring the company's compliance with laws and other regulations, as well as for the application of internal guidelines relating thereto.
- 2.18** The board should approve a code of conduct (or several activity-specific codes of conduct), setting out the expectations for the company's leadership and employees in terms of responsible and ethical behaviour. The board should monitor compliance with such code of conduct at least on an annual basis.

EXECUTIVE MANAGEMENT

2.19 The board of directors should determine the powers and duties entrusted to the executive management and develop a clear delegation policy, in close consultation with the CEO. The 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, based on the framework approved by the board of directors;
- present to the board of directors a complete, timely, reliable and accurate company financial statements, in accordance with the applicable accounting standards and policies of the company;
- prepare the company's required disclosure of the financial statements and other material financial and non-financial information;
- present the board of directors with a balanced and understandable assessment of the company's financial situation;
- provide the board of directors with all information necessary in a timely fashion for the board of directors to carry out its duties; and
- be responsible and accountable to the board of directors for the discharge of its responsibilities.

The responsibilities of the management board are contained in the CCA.

INTERACTION BETWEEN THE BOARD AND THE EXECUTIVE MANAGEMENT

2.20 The executive management should formulate proposals to the board in relation to the company's strategy and its implementation.

2.21 The executive management should have sufficient latitude to implement the approved strategy in accordance with the company's risk appetite.

2.22 Clear and actionable procedures should exist for the executive management as regards its decision-making powers, its reporting of key decisions to the board and for the evaluation of the CEO and the other members of the executive management.

2.23 The board and the executive management should agree on whether the executives may accept memberships of other corporate boards. Time constraints and potential conflicts of interests should be considered and balanced against the opportunity for the executive's professional development.

2.24 Interaction between board members and executives should take place in a transparent way. The chair should always be informed.

PRINCIPLE 3.

THE COMPANY SHALL HAVE AN EFFECTIVE AND BALANCED BOARD

COMPOSITION

- 3.1** The board should have a composition appropriate to the company's purpose, its operations, phase of development, structure of ownership and other specifics.
- 3.2** The board should be small enough for efficient decision-making. It should also be large enough for its board members to contribute experience and knowledge from their different fields and for changes to the board's composition to be managed without undue disruption.
- 3.3** The composition of the board should be determined so as to gather sufficient expertise in the company's areas of activity as well as sufficient diversity of skills, background, age and gender.
- 3.4** The board of directors should comprise a majority of non-executive directors. The board should include an appropriate number of independent directors. At least three directors should qualify as independent according to the criteria described in the Code.

The supervisory board should include an appropriate number of independent members. At least three members should qualify as independent according to the criteria described in the Code.

- 3.5** In order to be appointed as an independent board member, a board member should meet the following criteria:
 - 1.** Not be an executive, or exercising a function as a person entrusted with the daily management of the company or a related company or person, and not have been in such a position for the previous three years before their appointment. Alternatively, no longer enjoying stock options of the company related to this position;
 - 2.** Not have served for a total term of more than twelve years as a non-executive board member;
 - 3.** Not be 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 a related company or person, and not have been in such a position for the previous three years before their appointment. Alternatively, no longer enjoying stock options of the company related to this position;
 - 4.** Not be receiving, or having received during their mandate or for a period of three years prior to their appointment, any significant remuneration or any other significant advantage of a patrimonial nature from the company or a related company or person, apart from any fee they receive or have received as a non-executive board member;
 - 5.**
 - a.** Not hold shares, either directly or indirectly, either alone or in concert, representing globally one tenth or more of the company's capital or one tenth or more of the voting rights in the company at the moment of appointment;
 - b.** Not having been nominated, in any circumstances, by a shareholder fulfilling the conditions covered under (a);

6. Not maintain, nor have maintained in the past year before their appointment, a significant business relationship with the company or a related company or person, either directly or as partner, shareholder, board member, 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 be or have been within the last three years before their appointment, a partner or member of the audit team of the company or person who is, or has been within the last three years before their appointment, the external auditor of the company or a related company or person;
8. Not be an executive of another company in which an executive of the company is a non-executive board member, and not have other significant links with executive board members of the company through involvement in other companies or bodies;
9. Not have, in the company or a related company or person, a spouse, legal partner or close family member to the second degree, exercising a function as board member or executive 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), or falling in one of the other cases referred to in 1. to 8. above, and as far as point 2. is concerned, up to three years after the date on which the relevant relative has terminated their last term.

FUNCTIONING

- 3.6 All board members should uphold the highest standards of integrity and probity.
- 3.7 The board should function as a collegial body. No individual or group of board members should dominate the board's decision-making.
- 3.8 The minutes of the meeting should summarize the discussions, specify the decision taken and note diverging views expressed by board members. The names of the interveners should only be recorded if specifically requested by them.
- 3.9 The board should meet sufficiently regularly to discharge its duties effectively. The company may organise - where necessary and appropriate - board meetings using video, telephone or internet-based means. The number of board and board committee meetings and the individual attendance record of board members should be disclosed in the CG Statement.
- 3.10 The board should draw up procedures through which board members have access to independent professional advice at the company's expense.
- 3.11 Non-executive board members should meet at least once a year in the absence of the CEO and the other executives.

CHAIR OF THE BOARD

- 3.12** In a one-tier structure, there should be a clear division of responsibilities between the person presiding over the board of directors (the chair) and the person assuming executive responsibility for running the company's business (the CEO). The chair of the board of directors and the CEO should not be the same individual.
- 3.13** The chair should lead the board. The chair should engender a climate of trust, allowing for open discussions and constructive challenge. The chair should ensure that there is sufficient time for consideration and discussion before decision-making. Once decisions are taken, all board members should be supportive of their execution.
- 3.14** In a one-tier structure, the chair of the board of directors should set the agenda of the board meetings, in consultation with the CEO and the company secretary. *In a two-tier structure, the chair of the supervisory board and the CEO should set the agenda of their respective board meetings, in consultation with the company secretary.* The chair or, as the case may be, the chair and the CEO should ensure that procedures relating to preparatory work, deliberations, the passing of resolutions and the implementation of decisions are properly followed. The agenda should specify which topics are for information, for deliberation or for decision-making purposes.
- 3.15** The chair of the board, assisted by the company secretary, should ensure that board members are provided with accurate, concise, timely and clear information before the meetings and, where necessary, between meetings so that they can make a knowledgeable and informed contribution to board discussions. All board members should receive the same board information.
- 3.16** The chair of the board should establish a close relationship with the CEO, providing support and advice, while respecting the executive responsibilities of the CEO. The chair should ensure effective interaction between the board and the executive management.
- 3.17** The chair of the board should ensure effective communication with shareholders and that board members develop and maintain an understanding of the views of the shareholders and other significant stakeholders.
- 3.18** The board should draw up a procedure on how to choose a replacement chair for board meetings in the absence of the chair and for chairing discussions and decision-making by the board on matters where the chair has a conflict of interest.

COMPANY SECRETARY

3.19 The board should be responsible for appointing and dismissing the company secretary. The board should oversee that the person appointed as the company secretary has the necessary skills and knowledge of corporate governance matters.

3.20 The role of the company secretary should include:

- supporting the board and its committees on all governance matters;
- preparing the CG Charter and the CG Statement;
- ensuring a good information flow within the board and its committees and between the executive management and non-executive board members;
- ensuring that the essence of the discussions and decisions at board meetings are accurately captured in the minutes; and
- facilitating induction and assisting with professional development as required.

3.21 Individual board members should have access to the company secretary.

3.22 *The provisions under Principle 3 are mutatis mutandis applicable to the management board in a two-tier structure, except for the provisions exclusively applicable to the supervisory board or to the one-tier structure.*

PRINCIPLE 4.

SPECIALISED COMMITTEES SHALL ASSIST THE BOARD IN THE EXECUTION OF ITS RESPONSIBILITIES

GENERAL PROVISIONS

- 4.1** The board should set up specialised committees in order to advise the board in respect of decisions to be taken, to give comfort to the board that certain issues have been adequately addressed and, if necessary, to bring specific issues to the attention of the board. The decision-making should remain the collegial responsibility of the board.
- 4.2** Strategy formulation should not be referred to any permanent committee.
- 4.3** The audit committee, the remuneration committee and the nomination committee should be composed of at least three board members. The board should ensure that each committee, as a whole, has a balanced composition and has the necessary independence, skills, knowledge, experience and capacity to execute its duties effectively.
- 4.4** The board should ensure that a chair is appointed for each committee.
- 4.5** Each committee should meet sufficiently regularly to execute its duties effectively. The company may organise – where necessary and appropriate – committee meetings using video, telephone or internet-based means.
- 4.6** Members of the executive and senior management may be invited to attend committee meetings to provide relevant information and insights into their areas of responsibility.
- 4.7** Each committee should be entitled to meet with any relevant person without any executive being present.
- 4.8** The board should draft up procedures giving board committees access to independent professional advice at the company's expense.
- 4.9** After each committee meeting, the board should receive a written report on its findings and recommendations (“minutes”) from each committee and oral feedback from each committee at the next board meeting.

AUDIT COMMITTEE

- 4.10** The board shall set up an audit committee in accordance with the CCA. Given its role in risk matters, the committee may also be called “audit and risk committee”, unless the board opts for a separate risk committee.
- 4.11** The audit committee should assist the board in fulfilling its monitoring responsibilities in respect of control in the broadest sense, including risks. Therefore, it should perform the duties specified by the CCA.
- 4.12** In particular, the audit committee should monitor management’s responsiveness to the findings of the internal audit function and to the recommendations made in the external auditor’s management letter.
- 4.13** In addition, the audit committee should review the specific arrangements for raising concerns - in confidence - about possible improprieties in financial reporting or other matters. The audit committee should agree on arrangements whereby staff may inform the chair of the audit committee directly. If deemed necessary, arrangements should be made for the proportionate and independent investigation of such matters and for the appropriate follow-up actions.
- 4.14** 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 such function should be reviewed at least annually.
- 4.15** The external auditor and the head of the internal audit function should have direct and unrestricted access to the chair of the audit committee and the chair of the board.
- 4.16** Matters relating to the audit plan and any issues arising from the audit process should be placed on the agenda of every audit committee meeting and should be discussed specifically with the external and internal auditors at least once a year.

REMUNERATION COMMITTEE

- 4.17** The board shall set up a remuneration committee in accordance with the CCA.
- 4.18** The remuneration committee should perform their duties specified by the CCA. In particular, the remuneration committee should make proposals to the board on the remuneration policy for non-executive board members and executives, on the annual review of the executive management’s performance and on the realisation of the company’s strategy against agreed performance measures and targets.

NOMINATION COMMITTEE

- 4.19** The board should set up a nomination committee with the majority of its members comprising independent non-executive board members. The chair of the board or another non-executive board member should chair the committee. The chair of the board should not chair the nomination committee when dealing with the appointment of their successor.
- 4.20** The nomination committee and the remuneration committee may be combined.
- 4.21** The nomination committee should make recommendations to the board with regard to the appointment of board members and executives.
- 4.22** The nomination committee should prepare plans for the orderly succession of board members. The nomination committee should lead the re-appointment process of board members.
- 4.23** The nomination committee should ensure that sufficient and regular attention is paid to the succession of executives. The nomination committee should also ensure that appropriate talent development programmes and programmes to promote diversity in leadership are in place.

PRINCIPLE 5.

THE COMPANY SHALL HAVE A TRANSPARENT PROCEDURE FOR THE APPOINTMENT OF BOARD MEMBERS

NOMINATION AND APPOINTMENT OF BOARD MEMBERS

- 5.1** There should be a transparent procedure for the appointment and re-appointment of board members. The board should draw up nomination procedures and objective selection criteria for executive and non-executive board members.
- 5.2** The nomination committee should lead the nomination process and recommend suitable candidates to the board. The board should then make appointment proposals or re-appointment proposals to the general shareholders' meeting.
- 5.3** For any appointment to the board, the skills, knowledge and experience already present or required on the board should be evaluated and, in light of that evaluation, a description of the role and skills, knowledge and experience required should be prepared (also referred to as a "profile").
- 5.4** When dealing with a new appointment, the chair of the board and the chair of the nomination committee 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(s), a list of the positions currently held by the candidate and, if applicable, any necessary information about the candidate's independence.
- 5.5** Non-executive board members 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, also taking into account the number and importance of their other commitments. Non-executive board members should not take on more than five board memberships in listed companies. Changes to their other relevant commitments and their new commitments outside the company should be reported to the chair of the board as they arise.
- 5.6** The appointment proposal put to the general shareholders' meeting should include a recommendation from the board. This provision also applies to proposals for appointments originating from shareholders. Any proposal should specify the proposed term of the mandate, which should not exceed four years. It should include 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 as set out in the Code.
- 5.7** The board should propose that the general shareholders' meeting votes on each proposed appointment separately.
- 5.8** The board should ensure that, when considering nominating the former CEO as a board member, the necessary safeguards are in place so that the new CEO has the required autonomy. If the board envisages appointing a former CEO as chair, it should carefully consider the positive and negative implications of such a decision and disclose in the CG Statement why such appointment will not hamper the required autonomy of the CEO.

APPOINTMENT OF THE CHAIR

- 5.9** The chair of the board should be a person trusted for their professionalism, independence of mind, coaching capabilities, ability to build consensus, and communication and meeting management skills.

PROFESSIONAL DEVELOPMENT

- 5.10** Newly appointed board members should receive an appropriate induction, geared to their role, including an update on the legal and regulatory environment, to ensure their capacity to swiftly contribute to the board.

- 5.11** Board members should update their skills and improve their knowledge of the company to fulfil their roles both on the board and on the board committees they serve on. The company should for that purpose make the necessary resources available.

BOARD SUCCESSION PLANNING

- 5.12** The board should ensure that processes are in place for the orderly and timely succession of board members. It should satisfy itself that any appointment and re-appointment will allow an appropriate balance of skills, knowledge, experience and diversity to be maintained on the board and its committees.

PRINCIPLE 6.

ALL BOARD MEMBERS SHALL DEMONSTRATE INDEPENDENCE OF MIND AND SHALL ALWAYS ACT IN THE BEST INTERESTS OF THE COMPANY

INTEGRITY AND INDEPENDENCE OF MIND

- 6.1 Board members should engage actively in their duties and should be able to make their own sound, objective and independent judgements when discharging their responsibilities. Acting with independence of mind includes developing a personal conviction and having the courage to act accordingly by assessing and challenging the views of other board members, by interrogating the executives when appropriate in the light of the issues and risks involved, and by being able to resist group pressure.
- 6.2 Board members should make sure they receive detailed and accurate information and should spend sufficient time studying it carefully so as to acquire and maintain a clear understanding of the key issues relevant to the company's business. Board members should seek clarification whenever they deem it necessary.
- 6.3 Board members should not use the information obtained in their capacity as a board member for purposes other than for the exercise of their mandate. Board members should handle the confidential information received in their capacity as a board member with utmost care.
- 6.4 Board members should communicate to the board any information in their possession that could be relevant to the board's decision-making. In the case of sensitive or confidential information, board members should consult the chair.
- 6.5 To the extent relevant, these provisions are *mutatis mutandis* applicable to the executives.

CONFLICT OF INTERESTS

- 6.6 Each board member should place the company's interests above their own. The board members have the duty to look after the interests of all shareholders on an equivalent basis. Each board member should act according to the principles of reasonableness and fairness.
- 6.7 Each board member should inform the board of any conflict of interests that could in their opinion affect their capacity of judgement. In particular, at the beginning of each board or committee meeting, board members should declare whether they have any conflict of interests regarding the items on the agenda.
- 6.8 Each board member should, in particular, be attentive to conflicts of interests that may arise between the company, its board members, its significant or controlling shareholder(s) and other shareholders. The board members who are proposed by significant or controlling shareholder(s) should ensure that the interests and intentions of these shareholder(s) are sufficiently clear and communicated to the board in a timely manner.

- 6.9** The board should act in such a manner that a conflict of interests, or the appearance of such a conflict, is avoided. In the possible case of a conflict of interests, the board should, under the lead of its chair, decide which procedure it will follow to protect the interests of the company and all its shareholders. In the next annual report, the board should explain why they chose this procedure. However, where there is a substantial conflict of interests, the board should carefully consider communicating as soon as possible on the procedure followed, the most important considerations and the conclusions.
- 6.10** When the board takes a decision, board members should disregard their personal interests. They should not use business opportunities intended for the company for their own benefit.
- 6.11** To the extent relevant, these provisions are *mutatis mutandis* applicable to the executives.

PRINCIPLE 7.

THE COMPANY SHALL REMUNERATE BOARD MEMBERS AND EXECUTIVES FAIRLY AND RESPONSIBLY

GENERAL PROVISIONS

- 7.1** The board should adopt, upon the advice of the remuneration committee, a remuneration policy designed to achieve the following objectives:
- to attract, reward and retain the necessary talent;
 - to promote the achievement of strategic objectives in accordance with the company's risk appetite and behavioural norms; and
 - to promote sustainable value creation.
- 7.2** The board should make sure that the remuneration policy is consistent with the overall remuneration framework of the company.
- 7.3** The board should submit the policy to the general shareholders' meeting. When a significant proportion of the votes have been cast against the remuneration policy, the company should take the necessary steps to address the concerns of those voting against it, and consider adapting its remuneration policy.

NON-EXECUTIVE BOARD MEMBERS' REMUNERATION

- 7.4** For non-executive board members, the remuneration policy should take into account their role as board members, and specific roles such as chair of the board, or chair or member of board committees, as well as their resulting responsibilities and commitment in time.
- 7.5** Non-executive board members should not receive any performance-related remuneration, that is directly related to the results of the company.
- 7.6** A non-executive board member should receive part of their remuneration in the form of shares in the company. These shares should be held until at least one year after the non-executive board member leaves the board and at least three years after the moment of award. However, no stock options should be granted to non-executive board members.

EXECUTIVES' REMUNERATION

- 7.7** For executives, the remuneration policy should describe the different components of and determine an appropriate balance between fixed and variable remuneration, and cash and deferred remuneration.
- 7.8** The variable part of the executive remuneration package should be structured to link reward to overall corporate and individual performance, and to align the interests of the executives with the sustainable value-creation objectives of the company.
- 7.9** The board should set a minimum threshold of shares to be held by the executives.

- 7.10** When the company awards short-term variable remuneration to the executive management, this remuneration should be subject to a cap.
- 7.11** Stock options should not vest and be exercisable within less than three years. The company should not facilitate the entering into derivative contracts related to such stock options or to hedge the risks attached, as this is not consistent with the purpose of this incentive mechanism.
- 7.12** The board should approve the main terms and conditions of the contracts of the CEO and other executives further to the advice of the remuneration committee. The board should include provisions that would enable the company to recover variable remuneration paid, or withhold the payment of variable remuneration, and specify the circumstances in which it would be appropriate to do so, insofar as enforceable by law. The contracts should contain specific provisions relating to early termination.

PRINCIPLE 8.

THE COMPANY SHALL TREAT ALL SHAREHOLDERS EQUALLY AND RESPECT THEIR RIGHTS

COMMUNICATION WITH SHAREHOLDERS AND POTENTIAL SHAREHOLDERS

8.1 The board should ensure an effective dialogue with shareholders and potential shareholders through appropriate investor relation programmes, in order to achieve a better understanding of their objectives and concerns. Feedback of such dialogue should be given to the board, on at least an annual basis.

GENERAL SHAREHOLDERS' MEETING

8.2 The company should ensure that all necessary facilities and information is available to enable shareholders to exercise their rights.

8.3 The company should encourage the shareholders to participate in the general shareholders' meeting and provide for communication technology in this respect, to the extent necessary.

8.4 The chair of the board should conduct the general shareholders' meeting and take the necessary measures to ensure that any relevant questions from shareholders are adequately answered.

COMPANIES WITH ONE OR MORE SIGNIFICANT OR CONTROLLING SHAREHOLDER(S)

8.5 For companies with one or more significant or controlling shareholder(s), the board should encourage these shareholder(s) to clearly express their strategic objectives in the board meeting or to the board in a timely manner.

8.6 For companies with one or more significant or controlling shareholder(s), the board should encourage these shareholder(s) to make a considered use of their position and to take special care to prevent conflicts of interests and to respect the rights and interests of minority shareholders.

8.7 The board should debate whether it would be appropriate for the company to enter into a relationship agreement with the significant or controlling shareholder(s).

INSTITUTIONAL INVESTORS

8.8 The company should discuss with institutional investors the implementation of their policy on the exercise of institutional investors' voting rights in the relevant financial year and ask institutional investors and their voting agencies for explanations on their voting behaviour.

8.9 The board should encourage shareholders, and in particular, institutional investors, to communicate their evaluation of the company's corporate governance prior to the general shareholders' meetings and at least through participation in the general shareholders' meeting.

PRINCIPLE 9.

THE COMPANY SHALL HAVE A RIGOROUS AND TRANSPARENT PROCEDURE FOR EVALUATING ITS GOVERNANCE

- 9.1** The board should assess at least every three years its own performance and its interaction with the executive management, as well as its size, composition, functioning and that of its committees. The evaluation should be carried out through a formal process, whether or not externally facilitated, in accordance with a methodology approved by the board.

- 9.2** At the end of each board member's term, the nomination committee should evaluate this board member's presence at the board or committee meetings, their commitment and their constructive involvement in discussions and decision-making in accordance with a pre-established and transparent procedure. The nomination committee should also assess whether the contribution of each board member is adapted to changing circumstances.

- 9.3** The board should act on the results of the performance evaluation. Where appropriate, this will involve proposing new board members for appointment, proposing not to re-appoint existing board members or taking any measure deemed appropriate for the effective operation of the board.

PRINCIPLE 10.

THE COMPANY SHALL PUBLICLY REPORT ON THE APPLICATION OF THE CODE

- 10.1** Each company should apply the provisions of the Code. If a company does not comply with one or more provisions, it shall indicate which provision of the Code it is not complying with and give justified reasons for this deviation.
- 10.2** A description of these deviations should be submitted to the board at least once a year at the initiative of the company secretary to verify the quality of each explanation.
- 10.3** The board should approve the reasons given and endorse their content. Accordingly, for each deviation from a provision, the board should:
- a. explain in what manner the company has deviated from a provision;
 - b. describe the reasons for this deviation;
 - c. where the deviation is limited in time, explain when the company envisages complying with a particular provision; and
 - d. where applicable, describe the measure taken instead of compliance and explain how that measure achieves the underlying objective of the specific provision or of the Code as a whole, or clarify how it contributes to good governance of the company.
- 10.4** Explanations shall be submitted to the general shareholders' meeting when the CG Statement is presented. The board should endeavour to ensure that shareholders carefully consider the explanations given for deviating from the 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.

COMPOSITION OF THE CORPORATE GOVERNANCE COMMITTEE

THE COMMITTEE IS COMPOSED OF:

Thomas Leysen, *Chairman*

Benoît Bayenet, *Member of the Executive Committee & Vice-President, SOGEPa; Chairman, Financière du Bois; Professor, ULB and ULg*

Harold Boël, *CEO, Sofina*

Bart De Smet, *CEO, Ageas*

Koen Dejonckheere, *CEO, Gimv; Director, Home Invest; Director, Roularta*

Frank Donck, *Chairman, Atenor; CEO, 3D; Director, KBC Group; Director, Elia System Operator; Director, Barco*

Evelyn Du Monceau, *Chairman, UCB; Director, Solvay; Director, Financière de Tubize*

Thierry Dupont, *Managing Partner, RSM Belgium; Chairman, Institute of Registered Auditors*

Hilde Laga, *Chairman, Gimv; Professor, KULeuven; Director, Agfa; Director, Barco; Director, Greenyard*

Philippe Lambrecht, *Director & Secretary-General, Federation of Entreprises in Belgium*

Jean-Paul Servais, *Chairman & Chairman of the Management Committee, Financial Services and Markets Authority*

Sven Sterckx, *Asset Manager, Dierickx Leys; Chairman, Vlaamse Federatie van Beleggingsclubs en Beleggers*

Lutgart Van den Berghe, *Director, GUBERNA; Director Belfius; Professor, UGent and Vlerick Business School*

Vincent Van Dessel, *Chairman and CEO, Euronext Brussels*

Patrick Vermeulen, *Director, Truncus*

THE COMMITTEE IS ASSISTED BY A PERMANENT WORKING GROUP, COMPOSED OF:

Philippe Lambrecht, *Chairman*

Marc Bihain, *Secretary-General, Institute of Registered Auditors*

Annelies De Wilde, *Senior Research Associate, GUBERNA*

Anne-Sophie Pijcke, *Special adviser, Euronext Brussels*

Malorie Schaus, *Deputy-adviser, Federation of Entreprises in Belgium*

Lutgart Van den Berghe, *Director, GUBERNA; Director Belfius; Professor, UGent and Vlerick Business School*

Sonja D'Hollander, *Coordinator supervision of listed companies, FSMA attends the meetings of the PWG.*

THE COMMITTEE ALSO EXPRESSES ITS GRATITUDE TO THE FOLLOWING PERSON FOR HER CONTRIBUTION TO THE WORK OF THE PERMANENT WORKING GROUP:

Inge Vanbeveren, *Head of Department Professional expertise-Standards, Institute of Registered Auditors*

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