

# Statement on corporate governance

Bekaert attaches great value to good corporate governance and is aware that good governance of listed companies is an important factor in investment decisions. Bekaert accordingly complies with internationally accepted standards and rules and the recommendations of the Banking, Finance and Insurance Commission and Euronext® Brussels in this area. As a member of the Belgian 'Instituut voor Bestuurders' (Institute for Directors), Bekaert is helping to shape a coherent vision of corporate governance based on solid research, cultural norms and practical management needs.

## General Meeting of Shareholders

The Articles of Association stipulate that the Annual General Meeting shall be held on the second Wednesday in May. Shareholders wishing to attend the General Meeting must notify the company of their intention at least three full working days before the meeting. Each shareholder may be represented by a proxy who is entitled to vote in his own right. However, legal persons may be represented by a proxy who is not a shareholder. Registered shareholders will receive an invitation in advance, together with the agenda and the annual report. The meeting can only consider and adopt resolutions on the items appearing on the agenda, but ample time is always allowed for questions. All shares carry the same rights and each share entitles the holder to one vote.

A total of 89 shareholders were present in person or by proxy at the Annual General Meeting on 14 May 2003, representing a total of 7 039 507 shares or 31.8% of the total number of issued shares. Three holders of subscription rights also attended the meeting, representing 2 115 subscription rights or 0.6% of the total number of issued subscription rights. The meeting approved the financial statements and profit appropriation for 2002 and discharged the Directors and the statutory auditor of responsibility. Baron Leon Bekaert, Baron Paul Buisse, Count Charles de Liedekerke and Messrs. Julien De Wilde and Maxime Jadot were re-elected as Directors for a term of three years ending at the close of the Annual General Meeting in 2006. The meeting acknowledged Baron Maurice Velge's resignation from the Board due to his reaching the mandatory retirement age, and Mr. Hubert Jacobs van Merlen was appointed as Director for a term of three years ending at the close of the Annual General Meeting in 2006. The annual remuneration of the members of the Board of Directors for 2003 was maintained at €52 058, of which €37 184 was fixed and €14 874 was variable, based on attendance at six meet-

ings. The remuneration of the statutory auditor for 2003 was maintained at €99 261. All resolutions were adopted unanimously, except the resolution to discharge the Directors and the statutory auditor, on which one shareholder, representing 47 961 shares, voted against.

An Extraordinary General Meeting held on 14 May 2003 renewed the Board's authority to repurchase the company's own shares for a period of 18 months. Also, a provision was included in the Articles of Association authorising the Board of Directors to transfer its management powers to an executive committee in accordance with the Belgian Act of 2 August 2002. The Board of Directors has not made use of this possibility to date.

## Composition of the Board of Directors

The Board of Directors of N.V. Bekaert S.A. presently consists of thirteen members, seven of whom represent the principal shareholders. Only the Chief Executive Officer, who is responsible for the day-to-day management of the company, has an executive function. All other members are non-executive directors.

The members of the Board of Directors are elected for a three-year term and are eligible for re-election. New candidates must notify the Board of Directors at least two months prior to the Annual General Meeting.

The selection of new candidates for Board membership is formally entrusted to the Nomination, Compensation and Pensions Committee (NCPC). The selection criteria relate to the contribution which the candidate can make to the Board of Directors on the basis of talent, interest, background and willingness and ability to devote adequate time to the office. In the case of a nomination for re-election, the quality of the actual contribution to the Board is considered. Membership of the Board of Directors is subject to a minimum age limit of 35 and a maximum age limit of 67. Only in the case of the Chairman and the Chief Executive Officer is membership of the Board their principal occupation. The candidates proposed by the NCPC are nominated by the Board for appointment by the General Meeting.

Following their re-election as Directors on 14 May 2003, the Board accordingly reappointed Baron Paul Buisse as Chairman and Mr. Julien De Wilde as Chief Executive Officer.

Name	Position	Term expires	Principal employer (*)	Membership of committees
<b>Members representing principal shareholder</b>				
Baron Leon Bekaert	Director	2006	Director of several companies	SC
Roger Dalle	Director	2004		NCPC
Count Charles de Liedekerke	Director	2006	Executive Vice President of Lafarge S.A. (F)	SC
François de Visscher	Director	2004	President of de Visscher & Co. (USA)	A&F
Hubert Jacobs van Merlen	Director	2006	President and Chairman IEE SA, Luxembourg	
Maxime Jadot	Director	2006	Head of Investment Banking at Fortis Bank (B)	SC/NCPC
Baudouin Velge	Director	2004	Chief Economist at VBO/FEB (B)	A&F
<b>Management</b>				
Julien De Wilde	Chief Executive Officer	2006	N.V. Bekaert S.A.	SC/A&F
<b>Other members</b>				
Baron Paul Buysse	Chairman	2006	N.V. Bekaert S.A.	SC/A&F/NCPC
Gary J. Allen	Director	2005	Chairman of IMI plc (UK)	A&F/NCPC
Pol Bamelis	Director	2004	Chairman of Agfa-Gevaert N.V. (B) Director of several companies	SC
Baron Jan Huyghebaert	Director	2005	Chairman of Almanij N.V. (B)	NCPC
Baron Georges Jacobs	Director	2005	President of the Executive Committee of UCB (B)	

Situation as of 31 March 2004

(\*) An extensive curriculum vitae of all board members is available on the Bekaert website.

SC: Strategic Committee - A&F: Audit & Finance Committee - NCPC: Nomination, Compensation and Pensions Committee

## Functioning of the Board of Directors

The Board met on seven occasions in 2003. Six were regular meetings, at which the average attendance rate was 97.4%, and one was held in the presence of a notary public for the purpose of issuing subscription rights within the limits of the authorised capital. A two-day regular meeting was held on 9 and 10 October 2003 in Istanbul and the Beksa plant at Izmit in Turkey.

All resolutions were adopted by consensus. The Board of Directors did not make use in 2003 of the options provided by the Articles of Association of holding meetings and adopting resolutions via teleconferencing or videoconferencing or by unanimous written consent, nor its freedom to enlist the assistance of independent experts at the company's expense.

In addition to its statutory powers and powers under the Articles of Association, the Board of Directors approved in 2003 the by the management proposed strategy. It approved

major investments and acquisitions and the issue of subscription rights in accordance with the company's stock option plan (SOP1), which was introduced in 1999. The Board monitored the implementation of the strategy and performance against three-year plans and one-year budgets and drew up the 2002 annual accounts.

The Chief Executive Officer monitors the activities of the subsidiaries, joint ventures and associated companies. Their boards generally consist of management personnel, but in a few instances they include members of the Board of Directors of the parent company, who in that case represent the Chief Executive Officer.

The Board of Directors is assisted by three committees:

### Strategic Committee (SC)

(for membership see table)

The Strategic Committee has six members. It is chaired by Baron Paul Buysse, Chairman of the Board, and further consists of the Chief Executive Officer and four Directors, three of whom represent the principal shareholders. The Group Secretary acts as its secretary. The SC held four meetings in 2003. The SC advises the Board of Directors on Group strategy and on specific strategic proposals from management.

The Chairman formally reports the recommendations of the SC to the Board for approval.

### Audit and Finance Committee (A&F)

(for membership see table)

The Audit and Finance Committee has six members. It is chaired by Baron Paul Buysse, Chairman of the Board, and further consists of the Chief Executive officer, three Directors, two of whom represent the principal shareholders, and the Chief Financial & Administration Officer (who also acts as secretary). This composition ensures that the necessary dialogue takes place between the Board of Directors and management. The A&F Committee met on three occasions in 2003.

The Committee advises on the Group's financial position, the full year and half year results, the proposed dividend, the annual report, the Group's indebtedness, the valuation rules, the hedging of foreign currency exposure and forward purchasing of strategic materials, internal financial and operational audits, the selection and remuneration of the statutory auditor and compliance with its recommendations and advice on appropriate financial procedures for the Group.

The full A&F Committee meets twice a year to receive the reports of the internal and external auditors. A number of meetings are also held each year between the Chairman of the A&F Committee, who is also the Chairman of the Board of Directors, and the external auditors.

Particular attention was devoted in 2003 to reporting in accordance with the International Financial Reporting Standards.

The Chairman formally reports the recommendations of the A&F to the Board for approval.

The A&F Committee approves the Board of Directors' operating budget and monitors actual expenditure.

### Nomination, Compensation and Pensions Committee (NCPC)

(for membership see table)

The Nomination, Compensation and Pensions Committee has five members. It is chaired by Baron Paul Buysse, Chairman of the Board, and further consists of four Directors, two of whom represent the principal shareholders. The Chief Executive Officer acts as secretary. The Committee met three times in 2003.

The Committee discusses the remuneration of the Chief Executive Officer, senior management remuneration policy and the offer of stock options or subscription rights to the Chairman, the Chief Executive Officer, the senior management of the Group and the other beneficiaries of the company's stock option plans.

The Chairman formally reports the decisions and recommendations of the NCPC to the Board for approval.

### Conflicts of interests within the Board of Directors

As prescribed by company law, the members of the Board of Directors are expected to give the Chairman prior notice of any agenda items in respect of which they have a direct or indirect conflict of interests of a financial nature with the company and to refrain from participating in the discussion of and voting on those items. One such conflict of interests arose in 2003.

#### Extract from the minutes of 25 July 2003

The Chairman informs the members of the Board that he received a letter, dated 24 July 2003, from Mr. Hubert Jacobs van Merlen reporting a conflict of interests in connection with the Board's discussion and decision relative to the indemnification of his civil Director's liability by the Company. The conflict arises from the fact that Mr. Hubert Jacobs van Merlen will be the beneficiary of the indemnification. Mr. Hubert Jacobs van Merlen also informed the Company's independent auditors in writing on 24 July 2003. Mr. Jacobs van Merlen thereupon leaves the Board room.

#### Resolution

The Board resolves that the company will fully indemnify Mr. Hubert Jacobs van Merlen from and against any and all financial consequences of his civil liability as director of the Company, except if such liability results from his fraudulent intent or wilful misconduct.

Mr. Hubert Jacobs van Merlen thereupon returns to the Board room.

## Remuneration of the Board of Directors

The annual remuneration of the members of the Board of Directors consists of a fixed fee and a variable fee, plus reimbursement of expenses incurred in the performance of their duties. The Annual General Meeting on 14 May 2003 determined that the annual remuneration of the members of the Board of Directors would remain unchanged at €52 058, consisting of a fixed fee of €37 184 and a variable fee of €14 874, based on attendance at six meetings. With the exception of the Chairman and the Chief Executive Officer, the members of the Board of Directors receive no stock options nor any other benefit in kind. With the exception of the Chairman and the Chief Executive Officer, the members of the Board of Directors who are members of the committees of the Board (SC, A&F, NCPC) receive a fee of €1 487 for each meeting they attend.

The total remuneration, including pensions, paid in 2003 to the Directors of N.V. Bekaert S.A. in respect of their service on the Board, on committees and on the boards of subsidiaries, amounted to €2.22 million, of which €1.85 million were fixed fees and €0.37 million were variable fees.

## Daily management of the company

The daily management of the company is the responsibility of the Chief Executive Officer, who reports to the Board of Directors. He is assisted by the Bekaert Group Executive (BGE), consisting of himself as chairman and four members with responsibility for the various business activities and for finance and administration. The BGE, which meets on average twice per month, is responsible for developing, implementing and monitoring the strategy of each business activity, of the various functional units and of the Group, the strategy in the various functional areas, the short-term and long-term plans, and the results of the various business activities and the Group.

## Senior management remuneration policy

The Nomination, Compensation and Pensions Committee decides on the nomination and remuneration of the Group Executive Vice Presidents and Group Vice Presidents on the proposal of the Chief Executive Officer. The committee discusses in depth the remuneration policy, the levels and the individual evaluations of senior management staff.

Senior management remuneration consists of a base salary, a variable bonus, subscription rights or options, a pension plan and life insurance and other customary insurance (such as incapacity). Appointments to the boards of certain subsidiaries are also remunerated. Senior management staff are provided with all equipment needed to perform their duties.

Remuneration is benchmarked at regular intervals through external comparative studies by independent consultants.

The variable remuneration of senior management staff is based on individual performance and the results achieved in the area for which they are accountable.

The number of subscription rights for or options on N.V. Bekaert S.A. shares offered to senior management staff depends on the achievement of pre-defined targets relative to Bekaert's group result.

Post-employment benefits consist of a defined-benefit plan funded through V.Z.W. Bekaert Pensioenfonds and a defined-contribution plan funded through an external insurance company.

The total remuneration paid to all Group Executive Vice Presidents and Group Vice Presidents for 2003 was as follows:

in thousands of euros	Total (*)	Average
Base salary	3 310	172
Variable bonus	952	51
Remuneration as directors of subsidiaries	732	38
End-of-career compensation	715	37
Total gross remuneration	5 710	297
Number of subscription rights/options	9 230	486

Not included: company car, life / incapacity / hospitalisation / repatriation / accident insurance and miscellaneous.

(\*) Relates to 18 individuals for the full year and 2 for part of the year.

## Policy on profit appropriation

It is the policy of the Board of Directors to propose a profit appropriation to the Annual General Meeting of Shareholders which provides, in so far as the profit permits, a stable and growing dividend while maintaining an adequate level of cash flow for investment and self-financing. In practice, this means that Bekaert seeks to maintain a payout ratio of around 40% of the consolidated net result over the longer term.

## Relationships with principal shareholders

Stichting Administratiekantoor Bekaert was established in order to rationalise the principal shareholders' interests. The Stichting, which is jointly controlled by a number of physical persons and companies representing the principal shareholders, holds 4 265 940 shares or 19.33% of the issued share capital of N.V. Bekaert S.A. Stichting AK Bekaert and the physical persons and companies referred to on page 42 of this annual report, act in concert, and together own 8 889 830 shares or 40.28% of the issued share capital of N.V. Bekaert S.A.

## Stock option plans

1) Subscription rights were again issued in 2003, within the limits of the authorised capital, under the stock option plan introduced in 1999 (SOP 1). The Board of Directors executed a notarial deed on 6 October 2003 to issue 33 580 subscription rights to senior management and executive employees of the company and a number of subsidiaries, excluding the pre-emptive rights of the existing shareholders. Each subscription right is convertible into one N.V. Bekaert S.A. share at an exercise price of €40.89. Up to the end of 2003, a total of 369 270 subscription rights had been issued under SOP 1. An overview is shown on page 89 of this annual report.

2) Under a second stock option plan (SOP 2), which is restricted to a maximum of 50 individuals and was approved by the Board of Directors in 2000, for the Chairman, the Chief Executive Officer and senior managers of the company and its subsidiaries, whether employees or self-employed, a total of 2 780 options were granted in 2003 subject to the same conditions as those applying to employees under SOP 1. If and when these options are exercised, N.V. Bekaert S.A. will purchase own shares on the stock exchange. By the end of 2003, a total of 20 120 options had been granted under SOP 2. An overview is shown on page 90 of this annual report.

## Repurchase of own shares

A total of 51 330 N.V. Bekaert S.A. shares were repurchased in 2003 at an average price of €42.57 and subsequently cancelled, in order to avoid a possible future dilution of the voting rights of the existing shares as a result of the conversion of subscription rights into shares. Following the cancellation of the shares, the Articles of Association of N.V. Bekaert S.A. were amended accordingly.