

# Corporate Governance Statement

## Board of Directors and Executive Management

In accordance with the original Belgian Code on Corporate Governance published in 2004, the Board of Directors has, on 16 December 2005, adopted the Bekaert Corporate Governance Charter. Following the publication of the 2009 Belgian Code on Corporate Governance, the Board of Directors has, on 22 December 2009, adopted the 2009 Code as the reference code for Bekaert and revised the Bekaert Corporate Governance Charter (the 'Bekaert Charter'). Bekaert complies in principle with the Belgian Corporate Governance Code and explains in the Bekaert Charter and in this Corporate Governance Statement why it departs from some of its provisions.

The Belgian Corporate Governance Code is available at [www.corporategovernancecommittee.be](http://www.corporategovernancecommittee.be)

The Bekaert Corporate Governance Charter is available at [www.bekaert.com](http://www.bekaert.com)

## Board of Directors

The Board of Directors consists of fourteen members, who are appointed by the General Meeting of Shareholders. Eight of the Directors are appointed from among candidates nominated by the principal shareholders. The Chairman and the Chief Executive Officer are never the same individual. The Chief Executive Officer is the only Board member with an executive function. All other members are non-executive Directors.

Three of the Directors are independent in accordance with the criteria of Article 526ter of the Belgian Companies Code and provision 2.3 of the Belgian Corporate Governance Code: Dr Alan Begg (first appointed in 2008), Lady Barbara Thomas Judge (first appointed in 2007), and Mr Manfred Wennemer (first appointed in 2009, independent since 1 January 2010). Sir Anthony Galsworthy (first appointed in 2004) ceased to be independent upon his appointment to a fourth consecutive term of office on 9 May 2012.

The Board met on seven occasions in 2013: there were six regular meetings and one extraordinary session. In addition to its statutory powers and powers under the Articles of Association and the Bekaert Charter, the Board of Directors discussed the following matters, among others, in 2013:

- the business plan for 2013;
- continuous monitoring of the debt and liquidity situation of the Group;
- a review of Bekaert's strategy;
- the repurchase of Company shares;
- the business plan for the period 2014-2016;
- the succession planning at the Board and Executive Management levels;
- a public offer to exchange the Company's 2009-2014 retail bond for a new 2013-2020 retail bond;
- an exceptional offer of stock options to the Chief Executive Officer and the other members of the Executive Management in accordance with the Stock Option Plan 2010-2014 ("SOP2010-2014");
- the fourth regular offer of stock options in accordance with SOP2010-2014;
- the annual review of the major risks and the related mitigation plans under Bekaert's enterprise risk management program.

On 27 August 2013 the Company announced the leadership succession plans of its Chairman and Chief Executive Officer. Baron Buysse, Chairman of the Board of Directors since 2000, will retire as of the close of the Annual General Meeting in May 2014 and Bert De Graeve, Chief Executive Officer since 2006, will be appointed Chairman of the Board to succeed Baron Buysse.

Matthew Taylor was appointed Chief Executive Officer Designate, and assumed this position as of 1 September 2013 by becoming a member of the Bekaert Group Executive. Mr Taylor will assume the position of Chief Executive Officer in May 2014, when his appointment as a member of the Board of Directors will be submitted to the Annual General Meeting. Pending such appointment he has been invited to attend the meetings of the Board and of the Board Committees since September 2013.

In light of provision 4.7 of the Belgian Corporate Governance Code, the Board underscores that the leadership changes were initiated in consideration of a thorough succession planning process which aims at ensuring continuity of direction at the level of the Board and of the Executive Management.

Name	First appointed	Expiry of current term	Principal occupation (*)	Number of regular/extraordinary meetings attended
<b>Chairman</b>				
Baron Buysse	2000	2014	NV Bekaert SA	5/1
<b>Chief Executive Officer</b>				
Bert De Graeve	2006	2015	NV Bekaert SA	6/1
<b>Members nominated by the principal shareholders</b>				
Baron Bekaert	1994	2015	Director of companies	6/1
Roger Dalle	1998	2015	Director of companies	6/1
Count Charles de Liedekerke	1997	2015	Director of companies	6/1
François de Visscher	1992	2016	President, de Visscher & Co. LLC (United States)	5/1
Hubert Jacobs van Merlen	2003	2015	Director of companies	5/1
Maxime Jadot	1994	2015	CEO and Chairman of the Executive Board, BNP Paribas Fortis, Belgium	6/1
Bernard van de Walle de Ghelcke	2004	2016	Of Counsel, Linklaters LLP (Belgium)	6/1
Baudouin Velge	1998	2016	Managing Partner, Interel	6/1
<b>Independent Directors</b>				
Dr Alan Begg	2008	2014	Senior Vice President Group Technology and Development, SKF (Sweden)	5/1
Lady Barbara Thomas Judge	2007	2016	Chairman of the UK Pension Protection Fund (United Kingdom) Chairman Emeritus of the UK Atomic Energy Authority (United Kingdom)	5/1
Manfred Wennemer	2009	2015	Director of companies	6/0
<b>Other Directors</b>				
Sir Anthony Galsworthy	2004	2014	Advisor to Standard Chartered Bank (United Kingdom)	6/1

(\*) the detailed résumés of the Board members are available at [www.bekaert.com](http://www.bekaert.com)

## Committees of the Board of Directors

The Board of Directors has established three advisory Committees.

### Audit and Finance Committee

The Audit and Finance Committee is composed as required by Article 526bis §2 of the Companies Code: all of its four members are non-executive Directors and one member, Lady Judge, is independent. Her competence in accounting and auditing is demonstrated by her position as vice chairman of the Financial Reporting Council, the British accounting and corporate governance regulator, which she held until the end of 2007.

Contrary to provision 5.2/3 of the Belgian Corporate Governance Code, the Committee is chaired by the Chairman of the Board: Bekaert wishes the Chairman to preside over all Committees, to enable him to discharge as effectively as possible his specific duties with regard to protecting the interests of all shareholders. Contrary to provision 5.2/4 of the Belgian Corporate Governance Code, according to which at least a majority of the members should be independent, Bekaert takes the view that the Audit and Finance Committee should reflect the balanced composition of the full Board.

The Chief Executive Officer and the Chief Financial Officer are not members of the Committee, but are invited to attend its meetings. This arrangement guarantees the essential interaction between the Board of Directors and Executive Management.

Name	Expiry of current term	Number of meetings attended
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Baron Buysse	2014	4
François de Visscher	2016	3
Lady Barbara Thomas Judge	2016	3
Baudouin Velge	2016	4

The Committee met four times in 2013. In addition to its statutory powers and its powers under the Bekaert Charter the Committee discussed the following main subjects:

- the financing structure of the Group;
- the debt and liquidity situation;
- the activity reports of the internal audit department;
- the reports of the Statutory Auditor;
- the annual review of the major risks and the related mitigation plans under Bekaert's enterprise risk management program.

### Nomination and Remuneration Committee

The Nomination and Remuneration Committee is composed as required by Article 526quater §2 of the Companies Code: all of its three members are non-executive Directors. It is chaired by the Chairman of the Board and its two other members, Dr Begg and Lady Judge, are independent. The Committee's competence in the field of remuneration policy is demonstrated by the relevant experience of its members.

Name	Expiry of current term	Number of meetings attended
Baron Buysse	2014	4
Dr Alan Begg	2014	4
Lady Barbara Thomas Judge	2016	3

Two of the Directors nominated by the principal shareholders are invited to attend the Committee meetings without being members.

The Committee met four times in 2013. In addition to its statutory powers and its powers under the Bekaert Charter the Committee discussed the following main subjects:

- a review of the Group's remuneration strategy;
- the new short term variable remuneration policy for the Chief Executive Officer and the other members of the Executive Management;
- the variable remuneration for the Chief Executive Officer and the other members of the Executive Management for 2012;
- the base remuneration of the Chief Executive Officer and the other members of the Executive Management for 2013;
- the succession planning for senior executives;
- the selection and appointment of the Chief Executive Officer designate;
- the appointment of the future Chairman of the Board;
- the recruitment of a new Director;
- the future organization structure of the Group.

### Strategic Committee

The Strategic Committee has six members, five of whom are non-executive Directors. It is chaired by the Chairman of the Board and further consists of the Chief Executive Officer and four Directors.

Name	Expiry of current term	Number of meetings attended
Baron Buysse	2014	4
Bert De Graeve	2015	4
Baron Bekaert	2015	4
Count Charles de Liedekerke	2015	4
Sir Anthony Galsworthy	2014	4
Maxime Jadot	2015	4

The Committee met four times in 2013, and discussed the Bekaert strategy as well as various strategic projects.

## Evaluation

The main features of the process for evaluating the Board of Directors, its Committees and the individual Directors are described in paragraph II.3.4 of the Bekaert Charter. The Chairman is in charge of organizing periodic performance appraisals through an extensive questionnaire that addresses:

- the functioning of the Board or Committee;
- the effective preparation and discussion of important issues;
- the individual contribution of each Director;
- the present composition of the Board or Committee against its desired composition;
- the interaction of the Board with the Executive Management.

## Gender Diversity Law

In the framework of its action plan to ensure compliance with the legal requirement that one third of its members be of the opposite gender as from 1 January 2017, the Board has identified a female candidate with appropriate credentials, Mrs Mei Ye, and has nominated her for appointment as an independent Director by the Annual General Meeting to be held on 14 May 2014. The search for additional female candidates continues.

## Executive Management

The Bekaert Group Executive (BGE) has the collective responsibility to deliver the long term and short term objectives of the Group. It is chaired by the Chief Executive Officer and has the following balanced composition:

- members representing the global Business Platforms, who are accountable for customers and strategy and for the delivery of the long term margin and growth objectives of their platforms;
- members representing the Regional Operations, who are accountable for the execution and delivery of the annual objectives in their regions; and
- members representing the Global Functions, with responsibility for functional excellence and compliance in their functional areas.

Henri-Jean Velge, Executive Vice President Business Platforms, is retiring from the BGE effective 31 March 2014 in order to assume the role of Senior Advisor to the Chief Executive Officer designate.

As of 1 April 2014 the BGE will be composed as follows:

<b>Name</b>	<b>Position</b>	<b>Appointed</b>
Bert De Graeve	Chief Executive Officer	2006
Matthew Taylor	Chief Executive Officer designate and Executive Vice President	2013
Lieven Larmuseau	Executive Vice President Rubber Reinforcement Platform	2014
Geert Van Haver	Executive Vice President Industrial Products Platform	2014
Piet Van Riet	Executive Vice President Specialty Products Platform	2014
Frank Vromant	Executive Vice President Regional Operations Europe, North America and South Asia	2011
Curd Vandekerckhove	Executive Vice President Regional Operations North Asia and South East Asia	2012
Bruno Humblet	Chief Financial Officer and Executive Vice President Regional Operations Latin America	2006
Dominique Neerinck	Chief Technology Officer and Executive Vice President	2006
Bart Wille	Chief Human Resources Officer and Executive Vice President	2013

## Conduct policies

### Statutory conflicts of interests in the Board of Directors

In accordance with Article 523 of the Companies Code, a member of the Board of Directors should give the other members prior notice of any agenda items in respect of which he has a direct or indirect conflict of interests of a financial nature with the Company, and should refrain from participating in the discussion of and voting on those items. A conflict of interests arose on two occasions in 2013, and the provisions of Article 523 were complied with on such occasions.

On 18 January 2013 the Board had to determine the terms of the early termination of the Company's contract with the incumbent Chief Executive Officer in the event of the recruitment of a successor. Excerpt from the minutes:

#### RESOLUTION

*On the motion of the Nomination and Remuneration Committee the Board approves the terms, as described by the Chairman at this meeting, of the early termination of the Company's contract of 18 January 2006 with the incumbent Chief Executive Officer in the event of the recruitment of a successor Chief Executive Officer, and authorizes the Chairman and Count de Liedekerke to finalize and jointly execute the early termination on behalf of the Company.*

On 26 February 2013 the Board had to determine the remuneration of the Chief Executive Officer. Excerpt from the minutes:

#### RESOLUTION

*On the motion of the Nomination and Remuneration Committee, the Board:*

*- regarding the performance evaluation for 2012:*

- *acknowledges the waiver by the Chief Executive Officer of any short term variable remuneration in respect of 2012;*
- *acknowledges that no mid-term variable remuneration is payable to the Chief Executive Officer in respect of the period 2010-2012;*

*- regarding the remuneration for 2013:*

- *in accordance with the decision applying to all managers Group-wide resolves not to award a merit increase of the base remuneration to the Chief Executive Officer in 2013;*
- *approves the short term variable remuneration objectives of the Chief Executive Officer in respect of 2013;*

*- approves an exceptional offer of 30 000 stock options to the Chief Executive Officer pursuant to the Stock Option Plan 2010-2014 and subject to the Plan Rules amendments proposed by the Committee.*

### Other transactions with Directors and Executive Management

The Bekaert Charter contains conduct guidelines with respect to direct and indirect conflicts of interests of the members of the Board of Directors and the BGE that fall outside the scope of Article 523 of the Companies Code. Those members are deemed to be related parties to Bekaert and have to report, on an annual basis, their direct or indirect transactions with Bekaert or its subsidiaries. Bekaert is not aware of any potential conflict of interests concerning such transactions occurring in 2013 (cf. Note 7.5 to the consolidated financial statements).

### Market abuse

In accordance with provision 3.7 of the Belgian Corporate Governance Code, the Board of Directors has, on 27 July 2006, promulgated the Bekaert Insider Dealing Code, which is included in its entirety in the Bekaert Charter as Appendix 4. The Bekaert Insider Dealing Code restricts transactions in Bekaert securities by members of the Board of Directors, the BGE, senior management and certain other persons during closed and prohibited periods. The Code also contains rules concerning the mandatory internal notification of intended transactions, as well as the disclosure of executed transactions through a notification to the Belgian Financial Services and Markets Authority (FSMA). The Chairman of the Board is the Compliance Officer for purposes of the Bekaert Insider Dealing Code.

## Remuneration Report

### **1. Description of the procedure used in 2013 for (i) developing a remuneration policy for the non-executive Directors and Executive Management and (ii) setting the remuneration of the individual Directors and executive managers**

The remuneration policy for non-executive Directors is determined by the General Meeting of Shareholders on the motion of the Board of Directors, acting upon proposals from the Nomination and Remuneration Committee. The policy was approved by the Annual General Meeting of 10 May 2006 and amended by the Annual General Meeting of 11 May 2011.

The remuneration policy for the Chief Executive Officer is determined by the Board of Directors, acting upon proposals from the Nomination and Remuneration Committee. The Chief Executive Officer is absent from this process. The Committee ensures that the Chief Executive Officer's contract with the Company reflects the remuneration policy. A copy of the Chief Executive Officer's contract is available to any Director upon request to the Chairman.

The remuneration policy for the members of the BGE other than the Chief Executive Officer is determined by the Board of Directors acting upon proposals from the Nomination and Remuneration Committee. The Chief Executive Officer has an advisory role in this process. The Committee ensures that the contract of each BGE member with the Company reflects the remuneration policy. A copy of each such contract is available to any Director upon request to the Chairman.

### **2. Statement of the remuneration policy used in 2013 for the non-executive Directors and Executive Management**

#### **Non-executive Directors**

The remuneration of the non-executive Directors is determined on the basis of six regular meetings of the full Board of Directors per year. A portion of the remuneration is paid on the basis of the number of regular meetings attended in person by the non-executive Director.

Non-executive Directors who are members of a Board Committee receive a fee for each Committee meeting attended in person. As an executive Director the Chief Executive Officer does not receive such attendance fee. The Chairman of a Committee receives double the amount of such fee, except if he is also the Chairman of the Board of Directors.

If the Board of Directors requests the assistance of a Director in a specific matter on account of his or her independence and/or competence, such Director will be entitled, in respect of each session warranting specific travel and time, to a remuneration equal to the applicable amount payable in respect of a Board Committee meeting attended in person.

The actual amount of the remuneration of the Directors is determined by the Annual General Meeting for the running financial year.

The remuneration of the Directors is regularly benchmarked with a selected panel of relevant publicly traded industrial Belgian and international references, in order to ensure that persons with competences matching the Group's international ambitions can be attracted.

Non-executive Directors are not entitled to performance-related remuneration such as bonuses, stock related long-term incentive schemes, fringe benefits or pension benefits, nor to any other type of variable remuneration except as described above in respect of Board or Committee meetings attended in person.

Expenses that are reasonably incurred in the performance of their duties are reimbursed to Directors, upon submission of suitable justification. In making such expenses, the Directors should take into account the standards applicable within the Group.

The remuneration of the Chairman of the Board of Directors is determined at the beginning of his term of office, and is set for the duration of such term. On the motion of the Nomination and Remuneration Committee, it is determined by the Board subject to approval by the Annual General Meeting. In making its proposal, the Committee should consider a clear description of the duties of the Chairman, the professional profile that has been attracted, the time expected to be effectively available for the Group, and an adequate remuneration corresponding to the formulated expectations and regularly benchmarked with a selected panel of relevant publicly traded industrial Belgian and international references. The remuneration can comprise a cash remuneration as well as a deferred income scheme. The Chairman, when attending or chairing the meetings of a Board Committee, will not be entitled to any additional remuneration as this is deemed to be included in his global remuneration package.

In line with the policy, the remuneration for the future Chairman has been determined by the Board, subject to approval by the Annual General Meeting (cf. also paragraph 10 below).

## Executive managers

The main elements of the Group's executive remuneration policy are a base remuneration, a short-term, mid-term and long-term variable remuneration, a pension contribution and various other components. The Group offers competitive total remuneration packages with the objective to attract and retain the best executive and management talent in every part of the world in which the Group is operating. The remuneration of the executive managers is regularly benchmarked with a selected panel of relevant publicly traded industrial Belgian and international references.

A strong focus on performance and achievements at Group and individual level is reflected in the short-term variable remuneration program, which is directly linked to the annual business objectives.

The Group's mid-term and long-term variable remuneration programs aim at rewarding managers and executives for their contribution to the creation of enhanced shareholder value over time. Those programs are typically linked to the Company's longer term performance and to the future appreciation of the Company's shares.

The remuneration package of the Chief Executive Officer consists of a base remuneration, a short-term, mid-term and long-term variable remuneration, a pension contribution and various other components. The remuneration package aims to be competitive and is aligned with the responsibilities of a Chief Executive Officer leading a globally operating industrial group with various business platforms.

The Nomination and Remuneration Committee recommends each year a set of objectives directly derived from the business plan and from any other priorities to be assigned to the Chief Executive Officer. These objectives include both Group and individual financial and non-financial targets and are measured over a predetermined time period (up to three years). Those objectives, and the year-end evaluation of the achievements, are documented and submitted by the Committee to the full Board. The final evaluation leads to an assessment, based on measured results, by the Board of Directors of all performance-related elements of the remuneration package of the Chief Executive Officer.

The remuneration package of the BGE members other than the Chief Executive Officer consists of a base remuneration, a short-term, mid-term and long-term variable remuneration, a pension contribution and various other components. The remuneration package aims to be competitive and is aligned with the role and responsibilities of each BGE member, being a member of a team leading a globally operating industrial group with various business platforms.

The Chief Executive Officer evaluates the performance of each of the other members of the BGE and submits his assessment to the Nomination and Remuneration Committee. This evaluation is done annually based on documented objectives directly derived from the business plan and taking into account the specific responsibilities of each BGE member.

The achievements measured against those objectives will determine all performance-related elements of the remuneration package of each BGE member other than the Chief Executive Officer. The objectives include both Group and individual financial and non-financial targets and are measured over a predetermined time period (up to three years).

The actual amount of the remuneration of the Chief Executive Officer and the other members of the BGE is determined by the Board of Directors acting on a reasoned recommendation from the Nomination and Remuneration Committee.

Bekaert regularly evaluates its overall remuneration policies, in order to ensure alignment with the business environment as well as with legislative requirements. It does not expect its present remuneration policy for the Chief Executive Officer and for the other members of the Executive Management to undergo significant changes in 2014 and 2015.

## 3. Remuneration of the Directors in respect of 2013

The amount of the remuneration and other benefits granted directly or indirectly to the Directors, by the Company or its subsidiaries, in respect of 2013 is set forth on an individual basis in the table below.

The remuneration of the Chairman for the performance of all his duties in the Company was a set gross amount of € 500 000.

The remuneration of each Director, except the Chairman, for the performance of his duties as a member of the Board was a set amount of € 38 000, and an amount of € 2 500 for each meeting of the Board attended in person.

The remuneration of each Director, except the Chairman and the Chief Executive Officer, for the performance of his duties as a member of a Board Committee was an amount of € 1 500 for each Committee meeting attended in person.

	in €	Set amount	Amount for Board attendance	Amount for Committee attendance	Total
<b>Chairman</b>					
Baron Buysse		500 000			500 000
<b>Board members</b>					
Alan Begg		38 000	15 000	6 000	59 000
Baron Bekaert		38 000	17 500	6 000	61 500
Roger Dalle		38 000	17 500	0	55 500
Bert De Graeve		38 000	17 500	0	55 500
Count Charles de Liedekerke		38 000	17 500	6 000	61 500
François de Visscher		38 000	15 000	4 500	57 500
Sir Anthony Galsworthy		38 000	17 500	6 000	61 500
Hubert Jacobs van Merlen		38 000	15 000	0	53 000
Maxime Jadot		38 000	17 500	6 000	61 500
Lady Barbara Thomas Judge		38 000	15 000	9 000	62 000
Bernard van de Walle de Ghelcke		38 000	17 500	0	55 500
Baudouin Velge		38 000	17 500	6 000	61 500
Manfred Wennemer		38 000	15 000	0	53 000
<b>Total Directors Remuneration</b>					<b>1 258 500</b>

#### 4. Remuneration of the Chief Executive Officer in respect of 2013 in his capacity as a Director

In his capacity as a Director, the Chief Executive Officer is entitled to the same remuneration as the non-executive Directors, except the remuneration for attending Board Committee meetings for which he receives no compensation (cf. the table above). The remuneration received by the Chief Executive Officer as a Director is included in the base remuneration mentioned in the next table.

#### 5. Performance-related remuneration: criteria, term and method of performance evaluation

The remuneration package of the Chief Executive Officer and the other members of the BGE comprises three performance related elements:

- a short-term variable remuneration, with objectives related to the annual business plan. Those objectives include a weighted average of both Group and individual financial and non-financial targets, which are evaluated annually by the Board against pre-agreed criteria;
- a mid-term variable remuneration, with objectives related to the business plan for the next three-year period. Those objectives measure Bekaert's absolute performance against the plan, as well as its relative performance against a relevant panel of other companies. The achievement of those objectives is evaluated by the Board at the end of each three-year period, against pre-agreed criteria;
- a long-term variable remuneration, in the form of the offer of a variable amount of stock options (cf. paragraph 8 below).

#### 6. Remuneration of the Chief Executive Officer in respect of 2013

The contract between the present Chief Executive Officer and the Company was executed on 18 January 2006.

The amount of the remuneration and other benefits granted directly or indirectly to the Chief Executive Officer, by the Company or its subsidiaries, in respect of 2013 is set forth below.

<b>Bert De Graeve</b>	<b>Remuneration in respect of 2013, in €</b>	<b>Comments</b>
Base remuneration	818 777	Includes Belgian base remuneration as well as Belgian and foreign director fees <sup>(1)</sup>
Short term variable remuneration	660 000	Annual variable remuneration, based on 2013 performance, paid in March 2014
Mid term variable remuneration	0	Mid term variable remuneration, based on 2011-2013 performance
Long term variable remuneration:		
- Normal stock option grant	24 000	Number of stock options granted
- Exceptional stock option grant <sup>(2)</sup>	30 000	Number of stock options granted
Pension	175 338	Defined Contribution Plan
Other remuneration elements	69 079	Includes: company car and risk insurances

<sup>(1)</sup> The base remuneration includes the remuneration received by the Chief Executive Officer in his capacity as a Director.

<sup>(2)</sup> For more details, see paragraph 8.

## 7. Remuneration of the other Bekaert Group Executive members in respect of 2013

The amount of the remuneration and other benefits granted directly or indirectly to the BGE members other than the Chief Executive Officer, by the Company or its subsidiaries, in respect of 2013 is set forth below on a global basis.

<b>7 Members</b>	<b>Remuneration in respect of 2013, in €</b>	<b>Comments</b>
Base remuneration	2 522 483	Includes Belgian base remuneration as well as Belgian and foreign director fees
Short term variable remuneration	1 495 171	Annual variable remuneration, based on 2013 performance, paid in March 2014
Mid term variable remuneration	0	Mid term variable remuneration, based on 2011-2013 performance
Pension	344 033	Defined Contribution and Defined Benefit Plan
Other remuneration elements	126 931	Includes : company car and risk insurances

## 8. Stock Options for Executive Management granted in 2013

The number of stock options granted to the Chief Executive Officer and the other members of the BGE in 2013, and the number of options exercised by them or forfeited in 2013 are set forth on an individual basis in the table below. The stock options granted to the Chief Executive Officer and the other BGE members are based on the SOP 2010-2014 plan that was proposed by the Board of Directors and approved by a Special General Meeting in 2010. The plan offers options to acquire existing Company shares. There is one regular offer of options in December in each of the years 2010 through 2014, and the options are granted on the 60th day following the date of their offer (i.e. in February of the following year). The aggregate number of options to be offered is determined each year by the Board of Directors on the motion of the Nomination and Remuneration Committee. The number of options to be offered to each individual beneficiary is variable in part, based on an assessment of such person's long term contribution to the success of the Company. The options are offered to the beneficiaries free of charge. Each accepted option entitles the holder to acquire one existing share of the Company against payment of the exercise price, which is conclusively determined at the time of the offer and which is equal to the lower of: (i) the average closing price of the Company shares during the thirty days preceding the date of the offer, and (ii) the last closing price preceding the date of the offer.

The exercise price of the regular stock options offered in December 2012 and granted in February 2013 is € 19.20.

An exceptional offer of options was made to the Chief Executive Officer and the other BGE members on 29 March 2013 and was aimed at ensuring commitment of the Executive Management in challenging times. The beneficiaries were invited to accept the offer to give a clear signal of trust in the long-term performance of Bekaert and to financially participate in the future growth and success of the Group. The exercise price of the exceptional stock options granted in 2013 is € 21.45.

Subject to the closed and prohibited trading periods and to the plan rules, the options can be exercised as from the beginning of the fourth calendar year following the date of their offer until the end of the tenth calendar year following the date of their offer.

The stock options that were exercisable in 2013 are based on the predecessor plans to the SOP 2010-2014 plan. The terms of such earlier plans are similar to those of the SOP 2010-2014 plan, but the options that were granted to employees took the form of subscription rights entitling the holders to acquire newly issued Company shares, while self-employed beneficiaries are entitled to acquire existing shares as in the SOP 2010-2014 plan.

Name	Number of stock options granted in 2013 Normal + exceptional grants	Number of stock options exercised in 2013	Number of stock options forfeited in 2013
Bert De Graeve	54 000	-	-
Matthew Taylor	-	-	-
Bruno Humblet	40 000	-	-
Dominique Neerinck	29 000	6 000	-
Curd Vandekerckhove	22 000	5 400	-
Henri-Jean Velge	32 000	-	-
Frank Vromant	29 500	-	-
Bart Wille	25 500	-	-

Other than the stock options referred to above, no shares or rights to acquire shares are granted to the Chief Executive Officer or to any other member of the BGE.

## 9. Severance pay for Executive Management

Belgian law and normal practice are the basis for the severance arrangements with the executive managers, except for the Chief Executive Officer, the Chief Executive Officer Designate, the Chief Financial Officer and the Chief Human Resources Officer, whose contractual arrangements, entered into at the time of their appointment, provide for notice periods of 24 months (for the Chief Executive Officer) and 12 months (for the others).

## 10. Leadership changes announced in 2013

The original contract of the incumbent Chairman Baron Buysse, entered into in 2000, entitled him to a deferred income in the form of a pension promise. The promised amount was adapted in 2001, 2002, 2004 and 2006 and has been fully provided for in the annual accounts of the Company in each of the respective years. From 2006 onwards, the Chairman has received the annual remuneration without any additional deferred income, as specifically approved by the Annual General Meeting. The deferred income was fixed at its 2006 level of € 2 557 353 and has only accrued interest on an annual basis. As from 2012 the accrual of such interest has been externalized under an insurance contract. The deferred income in the principal amount of € 2 557 353, together with the accrued interest of € 983 900, will be paid out to Baron Buysse upon his retirement in May 2014.

As part of the leadership succession plans of the Chairman and the Chief Executive Officer, the Board of Directors agreed that the Company's existing contract with Bert De Graeve will terminate early on 31 May 2014, subject to the continuing confidentiality obligations. Consistent with such contract it was agreed that the Company will owe Mr De Graeve a gross compensation of € 1 836 180 on account of such early termination, which will be payable partly in June 2014 and partly in March 2015. The Board also agreed to apply the usual exercise conditions to the regular stock options granted to the Chief Executive Officer in February 2012 and February 2013.

Subject to approval by the Annual General Meeting on 14 May 2014, the Board of Directors agreed that the remuneration of Bert De Graeve for his services as Chairman of the Board of Directors will be a set gross amount of € 250 000 per year. With the exception of support items, such as a service car, infrastructure, telecommunication, risk insurance and expense reimbursement, the future Chairman will not be entitled to any additional remuneration, in line with the remuneration policy.

## 11. Departure of executive managers

No member of the Executive Management left the Group in 2013.

## 12. Company's right of reclaim

There are no provisions allowing the Company to reclaim any variable remuneration paid to Executive Management based on incorrect financial information.

## Shares

### The Bekaert share in 2013

#### Approach

Bekaert is committed to provide transparent financial information to its shareholders. It is Bekaert's intention to engage constantly in an open dialogue with its shareholders. Bekaert has always chosen to respond promptly to new international standards. The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS), which have been adopted by the European Union. Both private and institutional investors can count on our sustained commitment to transparent reporting, be it at shareholders' or analyst meetings.

#### Share identification

The Bekaert share is listed on NYSE Euronext Brussels as ISIN BE0974258874 (BEKB) and was first listed in December 1972. The ICB sector code is 2727 Diversified Industrials.

#### The Bekaert share in 2013

While 2013 generally started on a positive note for the BEL20 and the Bekaert share, this positive trend was reversed in February in anticipation and upon announcement of the 2012 results. These results were negative due to the major impact from the restructuring of Bekaert's sawing wire activities.

Having dropped to the lowest point of the year to € 20.01 on 4 March, the share rebounded vigorously and caught up to the BEL20 index. From March until early May the share continued to increase in price. On 8 May, Bekaert announced its Q1 trading update. A key element of this update related to the much lower revenues generated in North America versus the year before. This item, combined with a cautious outlook on the economic environment, caused the share price to drop by 10% in three days.

From mid-May to mid-August, Bekaert's share price saw a significant and regular increase so as to reach the first high for the year of € 29.89 on 12 September, an increase of 37%. The reasons for this increase were two-fold, the first being a generally good market for stocks and the second being better economic data for Europe with, in particular, the first signs of recovery in the automotive industry. As Bekaert was considered as a cyclical business, exposed to the European automotive industry and in a recovery phase after negative results in 2012, the share was particularly impacted by these positive trends. The half-year results, announced on 26 July only added to the momentum. These results were well received due to the visible financial impact of the recent restructuring measurements and the global cost reduction program that was being implemented.

The period from mid-September to mid-October saw a decline in Bekaert's share price, in line with the slower growth of the BEL20 which was affected by fears in the market over a possible spread of the Syrian civil war to other countries of the Middle East.

On 22 October, Bekaert's share saw a large increase of 6% in one day following a positive recommendation from one of the brokers covering the company. This increase continued until it reached the high for the year of € 31.11 on 4 November.

On 14 November, Bekaert issued its third-quarter trading update. The share price lost 7%, as the market was expecting higher revenues. The main reason for the difference between expectations and actuals was the negative impact of currency movements, particularly in Latin America. From mid-November until the end of the year, the Bekaert share further declined to finish the year with gains close to the BEL20 index: +17.6% for Bekaert versus +18.1% for the BEL20.

Bekaert confirmed its membership in the BEL20 index and meets all index requirements. Bekaert is number 16 out of 20 companies, with a market capitalization of € 1.54 billion or a free float market capitalization of € 1.00 billion (within the free float band of 65%) and a velocity of 83%.

## Share performance against stock indices

## Share listing\*

in €	2009	2010	2011	2012	2013
Price as at 31 December	36.167	85.900	24.785	21.875	25.720
Price high	36.467	86.960	87.980	33.500	31.110
Price low	12.417	32.867	23.500	17.210	20.010
Price average closing	25.145	53.819	54.694	22.592	24.926
Daily volume	215 601	195 856	284 289	218 850	126 923
Daily turnover (in millions of €)	5.0	10.9	14.5	5.0	3.1
Annual turnover (in millions of €)	1 310	2 833	3 774	1 313	796
Velocity (% , annual)	93	85	122	93	54
Velocity (% , adjusted free float)	143	130	188	144	83
Free float (%)	61.0	61.9	61.7	61.9	62.6

\* All indicators per share before 2010 are stock split-adjusted.

## Volumes traded

The average daily trading volume with 126 823 shares was about 42% lower compared to previous year. The volume peaked on 15 March, with 647 052 shares handled.

## Bekaert closing prices and volumes in 2013



## Bekaert versus Bel20®, NEXT100 and NEXT150

## Bekaert versus Bel20® (2013)

In the BEL20, Bekaert is ranked as number 16, with a market capitalization of € 1.54 billion, a free float market capitalization of € 1.00 billion (62.64% and within the free float band of 65%), band adjusted velocity at 83% and a weight of 1.25 %.



## Bekaert versus the NEXT100 and the NEXT150 (2013)

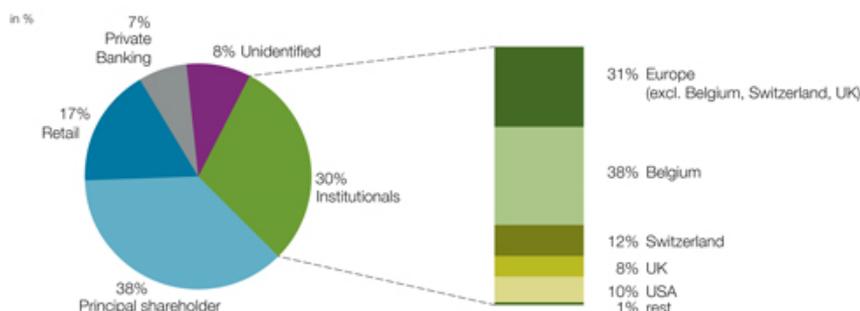


## Internationalization of the shareholder structure and significant participations

The shareholder structure shows a quite strong internationalization.

In connection with the entry into force of the Act of 2 May 2007 on the disclosure of significant participations (the Transparency Act) Bekaert has, in its Articles of Association, set the thresholds of 3% and 7.50% in addition to the legal thresholds of 5% and each multiple of 5%. An overview of the current notifications of participations of 3% or more can be found in the Parent Company Information section (Interests in share capital).

The principal shareholders own 38.15% of the shares, while the identified institutional shareholders own 30% of the shares. Retail represents 17% while Private Banking is 7% and 9% is unidentified. Of the total number of Bekaert shares, 2.87% is in registered form.



## Capital structure

As of 31 December 2013 the registered capital of the Company amounts to € 176 773 000, and is represented by 60 063 871 shares without par value. The shares are in registered or non-material form.

The total number of outstanding subscription rights under the SOP1 and SOP2005-2009 stock option plans and convertible into Bekaert shares is 537 655.

A total of 62 929 subscription rights were exercised in 2013 under the SOP1 and SOP2005-2009 employee stock option plans, resulting in the issue of 62 929 new Company shares, and an increase of the registered capital by € 187 000 and of the share premium by € 860 741.84.

In addition to the 939 700 treasury shares held by it as of 31 December 2012, the Company purchased 712 977 own shares in the course of 2013. None of those shares were disposed of in connection with any stock option plans or cancelled in 2013. As a result, the Company held an aggregate 1 652 677 treasury shares as of 31 December 2013.

The third regular grant of options under the SOP2010-2014 plan took place on 18 February 2013, when 267 200 options were granted to the Chief Executive Officer, members of the BGE, senior management and a limited number of management employees of the Company and a number of its subsidiary companies. Each such option will be convertible into one existing Company share at an exercise price of € 19.20.

In light of the challenging business context, the Board decided to extend an exceptional offer of 260 000 stock options to the Chief Executive Officer, the members of the BGE and senior management pursuant to the SOP2010-2014 plan on 29 March 2013, as a long term incentive and as an invitation to give a clear signal of trust in the long term performance of Bekaert and to financially participate in the future growth and success of the Group. All of those options were accepted and were granted on 28 May 2013. Each option of this series will be convertible into one existing Company share at an exercise price of € 21.45.

A fourth regular offer of 382 200 options was made on 19 December 2013, and 373 450 of those options were accepted and were granted on 17 February 2014. Each option of the fourth regular series will be convertible into one existing Company share at an exercise price of € 25.38.

The SOP2010-2014 plan and its predecessor plans comply with the relevant provisions of the Act of 26 March 1999 and with Articles 520ter and 525, last paragraph, of the Companies Code. Detailed information about capital, shares and stock option plans is given in the Financial Review (Note 6.12 to the consolidated financial statements).

### Dividend policy

It is the policy of the Board of Directors to propose a profit appropriation to the Annual General Meeting which, insofar as the profit permits, provides a stable or growing dividend while maintaining an adequate level of cash flow for investment and self-financing in order to support future growth. In practice, this means that the Company seeks to maintain a pay-out ratio of around 40% of the result for the period attributable to the Group over the longer term.

in €	2009	2010	2011	2012	2013**
<b>Per share*</b>					
Intermediate/interim dividend		0.667	0.670		
Dividend without intermediate/interim div.	0.98	1.000	0.500	0.850	0.850
Total gross dividend	0.98	1.667	1.170	0.850	0.850
Net dividend***	0.74	1.250	0.878	0.638	0.638
Coupon number	11	12-13	14-15	16	17

\* All indicators per share before 2010 are stock split-adjusted.

\*\* The dividend is subject to approval by the General Meeting of Shareholders 2014.

\*\*\* Subject to the applicable tax legislation.

The Board of Directors will propose that the Annual General Meeting to be held on 14 May 2014 approve the distribution of a gross dividend of € 0.85 per share.

### General Meeting of Shareholders

The Annual General Meeting was held on 8 May 2013. The resolutions of the meeting are available at [www.bekaert.com](http://www.bekaert.com)

More detailed information is available in the Bekaert Shareholders Guide 2013 and at [www.bekaert.com](http://www.bekaert.com)

### Elements pertinent to a take-over bid

#### Restrictions on the transfer of securities

The Articles of Association contain no restrictions on the transfer of Company shares, except in case of a change of control, for which the prior approval of the Board of Directors has to be requested in accordance with Article 11 of the Articles of Association.

Subject to the foregoing the shares are freely transferable. The Board is not aware of any restrictions imposed by law on the transfer of shares by any shareholder.

#### Restrictions on the exercise of voting rights

Each share entitles the holder to one vote. The Articles of Association contain no restrictions on the voting rights, and each shareholder can exercise his voting rights provided he was validly admitted to the General Meeting and his rights had not been suspended. The admission rules to the General Meeting are laid down in the Companies Code and in Articles 31 and 32 of the Articles of Association. Pursuant to Article 10 the Company is entitled to suspend the exercise of rights attaching to securities belonging to several owners.

No person can vote at General Meetings using voting rights attaching to securities that had not been timely reported in accordance with the law.

The Board is not aware of any other restrictions imposed by law on the exercise of voting rights.

### Agreements among shareholders

The Board of Directors is not aware of any agreements among shareholders that may result in restrictions on the transfer of securities or the exercise of voting rights, except those disclosed in the notifications referred to in the Parent Company Information section (Interests in share capital).

### Appointment and replacement of Directors

The Articles of Association (Articles 15 and following) and the Bekaert Charter contain specific rules concerning the (re)appointment, induction and evaluation of Directors.

Directors are appointed for a term not exceeding four years (in practice usually for three years) by the General Meeting of Shareholders, which can also dismiss them at any time. An appointment or dismissal requires a simple majority of votes. The candidates for the office of Director who have not previously held that position in the Company must inform the Board of Directors of their candidacy at least two months before the Annual General Meeting.

Only if and when a position of Director prematurely becomes vacant can the remaining Directors appoint (co-opt) a new Director. In such a case the next General Meeting will make the definitive appointment.

The appointment process for Directors is led by the Chairman of the Board. The Nomination and Remuneration Committee submits a reasoned recommendation to the full Board which, on that basis, decides which candidates will be nominated to the General Meeting for appointment. Directors can, as a rule, be reappointed for an indefinite number of terms, provided they are at least 35 and at most 66 years of age at the moment of their initial appointment and they have to resign in the year in which they reach the age of 69.

### Amendments to the Articles of Association

The Articles of Association can be amended by an Extraordinary General Meeting in accordance with the Companies Code. Each amendment to the Articles requires a qualified majority of votes.

### Authority of the Board of Directors to issue or buy back shares

The Board of Directors is authorized by Article 44 of the Articles of Association to increase the registered capital in one or more times by a maximum amount of € 176 000 000. The authority is valid for five years from 5 June 2012, but can be extended by the General Meeting.

Within the framework of that authority the Board can also, during a period of three years from 5 June 2012, increase the registered capital, upon receipt by the Company of a notice from the FSMA of a public takeover bid, and provided that:

- the shares to be issued are fully paid up upon issue;
- the issue price of such shares is not lower than the price of the bid; and
- the number of shares to be issued does not exceed 10% of the issued shares representing the capital prior to the capital increase.

This authority can also be extended by the General Meeting.

The Board of Directors is authorized by Article 12 of the Articles of Association to acquire a maximum number of own shares that, in the aggregate, represent no more than 20% of the issued capital, during a period of five years from 5 June 2012 (that can be extended by the General Meeting), at a price ranging between minimum € 1.00 and maximum 30% above the arithmetic average of the closing price of the Bekaert share during the last 30 trading days preceding the Board's resolution to acquire.

The Board is authorized to cancel all or part of the purchased shares during such five-year period. The Board is also authorized to acquire own shares, if required to prevent a threatened serious harm to the Company, including a public takeover bid. Such authority is granted for a period of three years from 5 June 2012, but can be extended by the General Meeting.

Articles 12bis and 12ter of the Articles of Association provide rules for the disposal of purchased shares and for the acquisition and disposal of Company shares by subsidiaries.

The powers of the Board of Directors are more fully described in the applicable legal provisions, the Articles of Association and the Bekaert Charter.

### Change of control

The Company is a party to a number of significant agreements that take effect, alter or terminate upon a change of control of

the Company following a public takeover bid or otherwise. To the extent that those agreements grant rights to third parties that affect the assets of the Company or that give rise to a debt or an obligation of the Company, those rights were granted by the Special General Meetings held on 13 April 2006, 16 April 2008, 15 April 2009, 14 April 2010 and 7 April 2011 and by the Annual General Meetings held on 9 May 2012 and 8 May 2013 in accordance with Article 556 of the Companies Code: the minutes of those meetings were filed with the Registry of the Commercial Court of Kortrijk on 14 April 2006, 18 April 2008, 17 April 2009, 16 April 2010, 15 April 2011, 30 May 2012 and 23 May 2013 respectively and are available at [www.bekaert.com](http://www.bekaert.com).

Most agreements are joint venture contracts (describing the relationship between the parties in the context of a joint venture company), contracts whereby financial institutions or retail investors commit funds to the Company or one of its subsidiaries, and contracts for the supply of products or services by or to the Company. Each of those contracts contains clauses that, in the case of a change of control of the Company, entitle the other party, in certain cases and under certain conditions, to terminate the contract prematurely and, in the case of financial contracts, also to demand early repayment of the loan funds. The joint venture contracts provide that, in the case of a change of control of the Company, the other party can acquire the Company's shareholding in the joint venture (except for the Chinese joint ventures, where the parties have to agree whether one of them will continue the joint venture on its own, whereupon that party has to purchase the other party's shareholding), whereby the value for the transfer of the shareholding is determined in accordance with contractual formulas that aim to ensure a transfer at an arm's length price.

#### Other elements

- The Company has not issued securities with special control rights.
- The control rights attaching to the shares acquired by employees pursuant to the stock option plans are exercised directly by the employees.
- No agreements have been concluded between the Company and its Directors or employees providing for compensation if, as a result of a takeover bid, the Directors resign or are made redundant without valid reason or if the employment of the employees is terminated.

## Control and ERM

### Internal control and risk management systems in relation to the preparation of the consolidated financial statements

The following description of Bekaert's internal control and risk management systems is based on the Internal Control Integrated Framework (1992) and the Enterprise Risk Management Framework (2004) published by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

#### Control environment

The accounting and control organization consists of three levels: (i) the accounting team in the different legal entities or shared service centers, responsible for the preparation and reporting of the financial information, (ii) the controllers at the different levels in the organization (such as plant and segment), responsible inter alia for the review of the financial information in their area of responsibility, and (iii) the Group Control Department, responsible for the final review of the financial information of the different legal entities and for the preparation of the consolidated financial statements.

Next to the structured controls outlined above, the Internal Audit Department conducts a risk based audit program to validate the internal control effectiveness in the different processes at legal entity level to assure a reliable financial reporting.

Bekaert's consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) which have been endorsed by the European Union. These financial statements are also in compliance with the IFRS as issued by the International Accounting Standards Board.

All IFRS accounting principles, guidelines and interpretations, to be applied by all legal entities, are grouped in the IFRS manual, which is available on the Bekaert intranet to all employees involved in financial reporting. Such manual is regularly updated by Group Control in case of relevant changes in IFRS, or interpretations thereof, and the users are informed of any such changes. IFRS trainings take place in the different regions when deemed necessary or appropriate.

The vast majority of the Group companies use Bekaert's global enterprise resource planning ("ERP") system, and the accounting transactions are registered in a common operating chart of accounts, whereby accounting manuals describe the standard way of booking of the most relevant transactions. Such accounting manuals are explained to the users during training sessions, and are available on the Bekaert intranet.

All Group companies use the same software to report the financial data for consolidation and external reporting purposes. A reporting manual is available on the Bekaert intranet and trainings take place when deemed necessary or appropriate.

#### Risk assessment

Appropriate measures are taken to assure a timely and qualitative reporting and to reduce the potential risks related to the financial reporting process, including: (i) proper coordination between the Corporate Communication Department and Group Control, (ii) careful planning of all activities, including owners and timings, (iii) guidelines which are distributed by Group Control to the owners prior to the quarterly reporting, including relevant points of attention, and (iv) follow-up and feedback of the timeliness, quality and lessons learned in order to strive for continuous improvement.

A quarterly review takes place of the financial results, findings by the Internal Audit Department, and other important control events, the results of which are discussed with the Statutory Auditor.

Material changes to the IFRS accounting principles are coordinated by Group Control, reviewed by the Statutory Auditor, reported to the Audit and Finance Committee, and acknowledged by the Board of Directors of the Company. Material changes to the statutory accounting principles of a Group company are approved by its Board of Directors.

#### Control activities

The proper application by the legal entities of the accounting principles as described in the IFRS manual, as well as the accuracy, consistency and completeness of the reported information, is reviewed on an ongoing basis by the control organization (as described above). In addition, all relevant entities are controlled by the Internal Audit Department on a periodic basis.

Policies and procedures are in place for the most important underlying processes (sales, procurement, investments, treasury, etc.), and are subject to (i) an evaluation by the respective management teams using a self-assessment tool, and (ii) control by the Internal Audit Department on a rotating basis.

A close monitoring of potential segregation of duties conflicts in the ERP system is carried out.

### Information and communication

Bekaert has deployed in the majority of the Group companies a global ERP system platform to support the efficient processing of business transactions and provide its management with transparent and reliable management information to monitor, control and direct its business operations.

The provision of information technology services to run, maintain and develop those systems is to a large extent outsourced to professional IT service delivery organizations which are directed and controlled through appropriate IT governance structures and monitored on their delivery performance through comprehensive service level agreements.

Together with its IT providers, Bekaert has implemented adequate management processes to assure that appropriate measures are taken on a daily basis to sustain the performance, availability and integrity of its IT systems. At regular intervals the adequacy of those procedures is reviewed and audited and where needed further optimized.

Proper assignment of responsibilities, and coordination between the pertinent departments, assures an efficient and timely communication process of periodic financial information to the market. In the first and third quarters a trading update is released, whereas at midyear and yearend all relevant financial information is disclosed. Prior to the external reporting, the sales and financial information is subject to (i) the appropriate controls by the above-mentioned control organization, (ii) review by the Audit and Finance Committee, and (iii) approval by the Board of Directors of the Company.

### Monitoring

Any significant change of the IFRS accounting principles as applied by Bekaert is subject to review by the Audit and Finance Committee and approval by the Company's Board of Directors, including the first-time adoption of IFRS in 2000.

On a periodic basis, the members of the Board of Directors are updated on the evolution and important changes in the underlying IFRS standards.

All relevant financial information is presented to the Audit and Finance Committee and the Board of Directors to enable them to analyze the financial statements. All related press releases are approved prior to communication to the market.

Relevant findings by the Internal Audit Department and/or the Statutory Auditor on the application of the accounting principles, as well as the adequacy of the policies and procedures, and segregation of duties, are reported to the Audit and Finance Committee.

Also a periodic treasury update is submitted to the Audit and Finance Committee.

A procedure is in place to convene the appropriate governing body of the Company on short notice if and when circumstances so dictate.

### General internal control and ERM

The Board of Directors and the BGE have approved the Bekaert Code of Conduct, which was first issued on 1 December 2004 and updated on 1 March 2009. The Code of Conduct sets forth the Bekaert mission and beliefs as well as the basic principles of how Bekaert wants to do business. Implementation of the Code of Conduct is mandatory for all companies of the Group. The Code of Conduct is included in the Bekaert Charter as Appendix 3 and available at [www.bekaert.com](http://www.bekaert.com).

More detailed policies and guidelines are developed as considered necessary to ensure consistent implementation of the Code of Conduct throughout the Group.

Bekaert's internal control framework consists of a set of group policies for the main business processes, which applies Group-wide. Bekaert has different tools in place to constantly monitor the effectiveness and efficiency of the design and the operation of the internal control framework. A mandatory training on internal control is organized for all new employees and a self-assessment tool is in place allowing management teams to evaluate themselves on the internal control status. The Internal Audit Department monitors the internal control situation based on the global framework and reports to the Audit and Finance Committee at each of its meetings.

The BGE regularly evaluates the Group's exposure to risk, its potential financial impact and the actions required to monitor and control the exposure.

At the request of the Board of Directors and the Audit and Finance Committee management has developed a permanent global enterprise risk management ("ERM") framework to assist the Group in managing uncertainty in Bekaert's value creation process on an explicit basis. The framework consists of the identification, assessment and prioritization of the major risks confronting Bekaert, and of the continuous reporting and monitoring of those major risks (including the development and implementation of risk mitigation plans).

The risks are identified in five risk categories: business, operational, financial, corporate and country risks. The identified risks are classified on two axes: probability and impact or consequence. Decisions are made and action plans defined to mitigate

the identified risks. Also the risk sensitivity evolution (decrease, increase, stable) is measured to address the effectiveness of the action implementation and potential risk context changes.

Bekaert's 2013 ERM report includes among others, the following potential risks:

- overall pressure on profitability (e.g. general overcapacity in a weak economic environment);
- political/economic/social instability in emerging countries (e.g. Venezuela);
- globalizing competition;
- asset and profit concentration (e.g. in one city);
- intellectual property risk (overall and permanent risk);
- non-compliance risk with local regulations and with the Bekaert standards;
- wire rod price volatility and source dependency;
- evolution of environmental regulation;
- creditworthiness of customers;
- the risk of failure of the banking system in specific countries.