

# 06

## Corporate Governance Statement



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”).



# Corporate Governance Statement

Bekaert complies in principle with the Belgian Corporate Governance Code and explains in the Bekaert Charter or in this Corporate Governance Statement why it departs from a few of its provisions.

## Board of Directors

The Board of Directors consists of fourteen members, eight of whom are 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 were independent in 2009 in accordance with the criteria of Article 526ter of the Companies Code and provision 2.3 of the Belgian Corporate Governance Code: Dr Alan Begg (appointed in 2008), Sir Anthony Galsworthy (first appointed in 2004) and Lady Barbara Thomas Judge (appointed in 2007). Mr Manfred Wennemer has become the fourth independent member of the Board on 1 January 2010. Although he was appointed a Director on 13 May 2009 and has since completed his induction program, Mr Wennemer did not qualify as independent in 2009 as he had been the Chief Executive Officer of a significant customer of Bekaert until August 2008.

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)

Name	First appointed	Expiry of current term	Principal occupation (*)	Number of regular meetings attended
<b>Chairman</b>				
Baron Buysse	2000	2012	NV Bekaert SA	6
<b>Chief Executive Officer</b>				
Bert De Graeve	2006	2012	NV Bekaert SA	6
<b>Members nominated by the principal shareholders</b>				
Baron Bekaert	1994	2012	Director of companies	6
Roger Dalle	1998	2010	Director of companies	6
Count Charles de Liedekerke	1997	2012	Director of companies	6
François de Visscher	1992	2010	President, de Visscher & Co. LLC (United States)	6
Hubert Jacobs van Merlen	2003	2012	President & CEO, IEE SA (Luxembourg)	6
Maxime Jadot	1994	2012	Member of the Executive Committee, BNP Paribas Fortis, Head of Corporate and Public Banking Belgium	6
Bernard van de Walle de Ghelcke	2004	2010	Of Counsel, Linklaters LLP (Belgium)	6
Baudouin Velge	1998	2010	CEO, Interel PR & PA (Belgium)	6
<b>Independent Directors</b>				
Dr Alan Begg	2008	2011	Senior Vice President Technology Development and Quality, SKF (Sweden)	5
Sir Anthony Galsworthy	2004	2010	Advisor to Standard Chartered Bank (United Kingdom)	6
Lady Barbara Thomas Judge	2007	2010	Chairman of the UK Atomic Energy Authority (United Kingdom)	6
Manfred Wennemer (**)	2009	2012	Director of companies	3

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

(\*\*) Appointed on 13 May 2009.

The Board held six regular meetings in 2009. In addition to its statutory powers and powers under the Articles of Association and the Bekaert Charter, the Board of Directors considered the following matters, among others, in 2009:

- the financial crisis, its impact on Bekaert, and the company's actions in the face of the changed economic and financial conditions;
- the debt position of the Group, including the public issue of bonds in the aggregate amount of € 300 million;
- the 2009 budget;
- the follow-up of the long term-strategy of the Group and its major components;
- the plans for the period 2010-2012;
- the grant of new subscription rights and stock options, and the extension of the exercise period of the subscription rights and stock options granted in 2006, 2007 and 2008;
- the revision of the Bekaert Charter.

## 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
Baron Buysse	2012	4
François de Visscher	2010	3
Baudouin Velge	2010	4
Lady Barbara Thomas Judge	2010	3

The Committee met four times in 2009. In addition to its statutory powers and its powers under the Bekaert Charter the Committee discussed the following main subjects:

- Bekaert's financing actions as a result of the financial crisis;
- the treasury situation;
- the development of an enterprise risk management process.

In addition, the Statutory Auditor provided the Committee with an update on the International Financial Reporting Standards in a session that was open to all members of the Board of Directors.

### Nomination and Remuneration Committee

The Nomination and Remuneration Committee has four members, all of whom are non-executive Directors. It is chaired by the Chairman of the Board and further consists of three Directors, one of whom is independent. Contrary to provision 5.4/1 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 Nomination and Remuneration Committee should reflect the balanced composition of the full Board.

Name	Expiry of current term	Number of meetings attended
Baron Buysse	2012	4
Roger Dalle	2010	4
Maxime Jadot	2012	4
Dr Alan Begg	2011	4

The Committee met four times in 2009. In addition to its powers under the Articles of Association and the Bekaert Charter, the Committee discussed the following main subjects:

- the actions of the HR department in the face of the economic crisis;
- the appointment of a new Director and a new member of the senior management;
- the remuneration of the Chairman of the Board for the period 2009-2012.

### 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, one of whom is independent.

Name	Expiry of current term	Number of meetings attended
Baron Buysse	2012	5
Bert De Graeve	2012	5
Baron Bekaert	2012	5
Count Charles de Liedekerke	2012	5
Maxime Jadot	2012	4
Sir Anthony Galsworthy	2010	5

The Committee met five times in 2009. In addition to its powers under the Articles of Association and the Bekaert Charter, the main items on the Committee's agenda were:

- a preliminary analysis of the budget for 2009;
- the follow-up of the long-term strategy of the Group and its major components.

### 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.

In 2009 the Chairman conducted a performance appraisal of the three Committees to ascertain the Directors' appreciation of the Committees' proceedings and the interaction of the Committees with the full Board.

## Executive Management

### Composition

The Bekaert Group Executive has five members. It is chaired by the Chief Executive Officer and further consists of four members, who bear the title of Group Executive Vice President and who are responsible for the various businesses, finance and administration, and technology.

Name	Position	Appointed
Bert De Graeve	Chief Executive Officer	2006
Bruno Humblet	Chief Financial Officer Group Executive Vice President Specialized films	2006
Dominique Neerincx	Chief Technology Officer Group Executive Vice President Industrial coatings	2006
Geert Roelens	Group Executive Vice President Steelcord	2008
Henri-Jean Velge	Group Executive Vice President Wire & Stainless technologies	1998

### Internal control and risk management systems

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 to support the financial reporting. 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 global 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 Bekaert Group Executive regularly evaluates the company's exposure to risk, its potential financial impact and the actions required to monitor and control the exposure.

## Remuneration Report

### Remuneration policy for non-executive Directors

The remuneration policy for non-executive Directors is described in paragraph II.7.1 of the Bekaert Charter.

### Remuneration policy for Executive Management

The remuneration policy for executive management is described in paragraph IV.7 of the Bekaert Charter.

### Remuneration of Directors

The remuneration of the members of the Board of Directors is reflected in the table below.

in €	Fixed remuneration	Variable Board attendance	Variable Committee attendance	Total Gross 2009
<b>Chairman</b>				
Baron Buysse	500 040	-	-	500 040
<b>Directors</b>				
Alan Begg	37 184	12 395	5 948	55 527
Baron Bekaert	37 184	14 874	7 435	59 493
Roger Dalle	37 184	14 874	5 948	58 006
Bert De Graeve	37 184	14 874	-	52 058
Count Charles de Liedekerke	37 184	14 874	7 435	59 493
François de Visscher	37 184	14 874	4 461	56 519
Julien De Wilde	18 592	7 437	-	26 029
Sir Anthony Galsworthy	37 184	14 874	7 435	59 493
Hubert Jacobs van Merlen	37 184	14 874	-	52 058
Maxime Jadot	37 184	14 874	11 896	63 954
Lady Barbara Thomas Judge	37 184	14 874	4 461	56 519
Bernard van de Walle de Ghelcke	37 184	14 874	-	52 058
Baudouin Velge	37 184	14 874	5 948	58 006
Manfred Wennemer	23 240	7 437	-	30 677
<b>Total</b>	<b>988 080</b>	<b>190 883</b>	<b>60 967</b>	<b>1 239 930</b>

### Remuneration of the Chief Executive Officer

The remuneration of the CEO is reflected in the table below.

in €	Fixed remuneration (*)	Variable remuneration	Other contractual remuneration	Total 2009
Bert De Graeve	669 768	470 000	173 616	1 313 384
Number of stock options granted				10 000

(\*) The fixed remuneration includes the Board fee received as member of the Board of NV Bekaert SA.

## Remuneration of Executive Management

The remuneration of the members of the Bekaert Group Executive and of senior management is reflected in the table below.

in thousand €	2008	2009
Number of persons	19	22
Short-term employee benefits		
Basic remuneration	3 912	4 576
Variable remuneration	1 954	2 248
Remuneration as directors of subsidiaries	502	675
Post-employment benefits		
Defined-benefit pension plans	227	312
Defined-contribution pension plans	426	498
Share-based payment benefits	746	723
<b>Total gross remuneration</b>	<b>7 767</b>	<b>9 032</b>
Average gross remuneration per person	409	411
Number of subscription rights and options granted (stock option plans)	45 400	62 500

## Stock options

A number of stock options is offered each year to each member of the Bekaert Group Executive. The decision to accept an offer of options, and consequently the number of options to be granted, reflects a personal choice that may be influenced by multiple considerations, and the disclosure on an individual basis of the number of options granted would therefore intrude on the privacy of the persons concerned: for that reason Bekaert has elected to deviate from provision 7.16 of the Belgian Corporate Governance Code, and only to disclose, on an individual basis, the number of options granted to the Chief Executive Officer.

## Shares and shareholders

### Our approach

Bekaert is committed to providing high-quality financial information to its shareholders. Clarity and transparency are not empty words and 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.

By creating value for the customer, Bekaert also creates value for shareholders and other stakeholders. Both private and institutional investors benefit from our sustained commitment to transparent reporting, be it at shareholders' or analysts' meetings. As a consequence, our shareholders have become more and more international.

### Share identification

The Bekaert share is listed on NYSE Euronext Brussels as ISIN BE0003780948 (BEKB) and was first listed in December 1972. The VVPR strip is listed as ISIN BE0005569406 (BEKS). The ICB sector code is 2727 Diversified Industrials.

### The Bekaert share in 2009

The year 2009 commenced with a sharp decline in line with the trend of previous year. The volatility in the financial markets remained extremely high. Valuations became very cheap in the first months of 2009 and there was no view on a short-term recovery. On a worldwide scale orders decreased, the pipeline of inventories dropped to a bare minimum, giving rise to a sharp decrease in activity in the industry. The share started the year at a price of € 49.21 and slipped to € 37.25 on 24 February, the lowest price since April 2003, and far below the equity value. The financial markets recognized the challenges facing Bekaert in 2009 and rated the share accordingly.

The banks' restrictive credit policies shifted attention to the debt structure and businesses' refinancing options. Supported by its strong balance sheet structure and the issue of bonds worth € 300 million in the first quarter, Bekaert remained fairly unscathed by this problem.

Later on, the first green shoots started to show and indicated a slowdown of the recession. The stock market turned and the Bekaert share showed a strong outperformance of the BEL20 index, by increasing by more than 80%. The March announcement of strong 2008 results and the change in sales mix, geographically as well as by product mix, supported the positive view on Bekaert. This was the basis of a rise in the share price until May, which then hovered around € 70 until July.

The decline in industrial production and the monetization of inventories were partially reversed. Several governments, the Chinese government in particular, announced steps to counter a global slowdown. Whilst China was leading the global recovery, the economic prospects of the different emerging countries varied widely depending on the economic policies that had been in place since the beginning of the crisis. China chose to boost investments and, together with India, it succeeded in averting a serious economic downturn, while the Russian economy was likely to contract significantly. The Latin American indicators suggested that the economy there was to continue to perform well from August onwards. With European stimulus policies being less pronounced than in the U.S., the EMEA region was likely to underperform the U.S. economy and to fall short of pre-crisis levels. This macro-economic environment proved the assumption that emerging countries, especially China, were very helpful to overcome the crisis. As a consequence, investors began to recognize that the Bekaert strategy of moving into the emerging countries could have been the right one.

The first half-year results 2009 were presented in July. Due to its increased geographic presence, Bekaert had decided to change its segment reporting. The geographic segmentation corresponds to the company's

global presence and growth strategy. This segmentation was considered by the financial markets as a major improvement and, for the first time, provided investors with insight into the result breakdown per region, thus enabling them to better evaluate the nature and financial effects of the business. The geographic split clearly showed the crucial role of the Asian activities. The high profitability in this region proved the better-than-expected resilience of Bekaert in a turbulent economic environment.

The half-year results were better than expected. A substantial drop in raw material prices had a one-off effect on the results, hiding at first sight the underlying quality. Bekaert reached a 7.2% REBIT margin over the first half of the year, and based on this performance, the share appeared on the radar screens of investors focusing on Asia. The share price started to increase again, reaching almost € 100 in September.

Bekaert released an encouraging trading update for the third quarter, driven by the high-margin sales in emerging markets and a very healthy cash flow generation and reduced net debt. Solid sales volumes were expected for the fourth quarter on the back of continuing strong demand in the emerging markets and a gradually improving trend in the mature markets. Moreover, the development of wire rod prices was stable, indicating that there was not a second hit into the results of 2009. All this resulted in a share price high of € 109.40 on 30 December 2009.

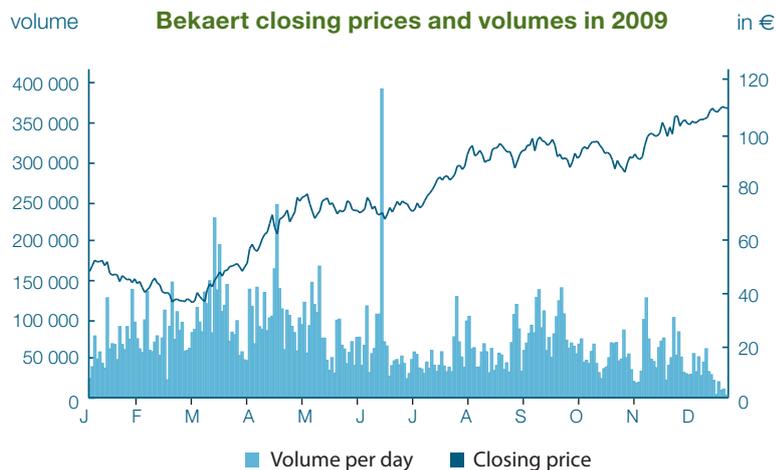
On 31 December 2009, the share traded at € 108.50. The highest target price in 2009 amounted to € 127. In late December, Bekaert confirmed its membership in the BEL20, the Belgian reference index.

	2005	2006	2007	2008	2009
Price as at 31 December (in €)	78.95	94.70	92.00	48.32	108.50
Price high (in €)	78.95	102.60	113.90	121.24	109.40
Price low (in €)	55.30	69.20	82.90	43.70	37.25
Price average (in €)	65.13	81.99	98.19	88.53	75.43
Strips as at 31 December (in €)	0.62	0.56	0.45	0.68	0.80
Daily volume	39 639	58 414	57 430	74 380	71 867
Daily turnover (in millions of €)	2.6	4.5	5.4	6.4	5.0
Annual turnover (in millions of €)	653	1 228	1 433	1 652	1 310
Market capitalization (in millions of €)	1 700	1 984	1 824	956	2 152
Velocity (% , annual)	46	69	72	96	93
Velocity (% , adjusted free float)	77	115	111	148	143
Free float (in %)	57.2	56.1	61.7	60.9	61.0

### Volumes traded

The average daily trading volume was about 72 000 shares in 2009, the same level as in 2008. The volumes were high in the first half of the year but slowed down

in the third and fourth quarter. The volume peaked on 19 June at 392 000. As a reference, in 2001 only 18 000 shares were traded per day.



### Bekaert versus Bel20, NEXT100 and NEXT150 (2009)

Until March the share performed broadly in line with the market indexes. The March announcement of strong 2008 results and the change in sales mix, both geo-

graphically and by product mix, was the sign for out-performing all the benchmark indexes. The share more than doubled compared to its year low in February. The BEL20 index has increased by 30% since January, while the Bekaert share has increased by 120%.

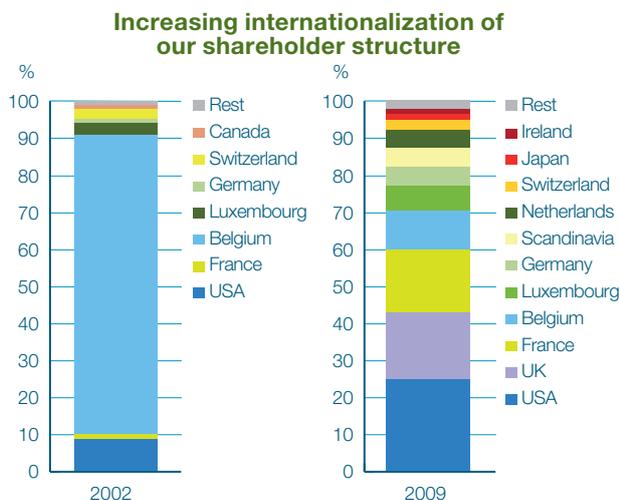


## Internationalization of the shareholder structure and significant participations

The shareholder structure showed a strong internationalization in previous years and this trend was continued in 2009. The United Kingdom in particular, but also France and Asia, have taken a larger stake.

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 Financial Review (Parent company information: interests in share capital).

The principal shareholders own 39.01% of the shares, while two international institutional investors hold more than 3% of the shares each. Bekaert has 103 registered shareholders who represent a combined total of 2.9%.



## Capital structure

As of 31 December 2009 the registered capital of NV Bekaert SA amounts to € 175 118 000, and is represented by 19 834 469 shares without par value. The shares are in registered, bearer or non-material form.

The number of VVPR strips is 4 058 470.

The total number of outstanding subscription rights under the SOP1 and SOP 2005-2009 stock option plans is 313 784.

A total of 50 844 subscription rights were exercised in 2009 under the SOP1 1999-2004 and SOP 2005-2009 employee stock option plans, resulting in the issue of 50 844 new NV Bekaert SA shares and VVPR strips, and an increase of the registered capital by € 450 000 and of the share premium by € 2 536 636.71.

Bekaert neither purchased nor cancelled any own shares in 2009. Of the 55 000 treasury shares held as of 31 December 2008, an aggregate 25 100 shares were delivered to the individuals who had exercised their options under the SOP2 stock option plan in 2009. The remaining 29 900 shares are held as treasury shares as of 31 December 2009. As a result of those movements, the number of issued shares and the number of VVPR strips each increased by 50 844.

In 2009 a fourth issue of subscription rights took place under the SOP 2005-2009 stock option plan: 96 050 subscription rights were issued to members of the Bekaert Group Executive, senior management and senior executive personnel. Each subscription right is convertible into one newly issued NV Bekaert SA share with VVPR strip at an exercise price of € 49.98. A fifth and final offer of 97 800 subscription rights was made on 17 December 2009. Each subscription right of the fifth series is convertible into one newly issued NV Bekaert SA share with VVPR strip at an exercise price of € 101.97. An aggregate 303 886 subscription rights had been granted under the SOP 2005-2009 stock option plan as of 31 December 2009.

An aggregate 21 500 options were granted under the SOP2 stock option plan in 2009: each option will be convertible into one existing NV Bekaert SA share with VVPR strip at an exercise price of € 49.98. A new offer of 16 500 options was made on 17 December 2009. Each option of this series is convertible into one existing NV Bekaert SA share with VVPR strip at an exercise price of € 101.97. A total of 137 920 options had been granted under the SOP2 stock option plan as of 31 December 2009.

The SOP 2005-2009 and SOP2 plans comply with the Act of 26 March 1999.

Detailed information about capital, shares and stock option plans is given in the Financial Review (Note 6.11 to the consolidated financial statements).

## Bekaert's dividend policy

It is the policy of the Board of Directors to propose a profit appropriation to the General Meeting of Shareholders which, insofar as the profit permits, provides a stable or growing dividend while maintaining an adequate level of cash flow in the company 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 €	2005	2006	2007	2008	2009
<b>Per share</b>					
Gross dividend	3.00	2.50	2.76	2.80	2.940
Net dividend	2.25	1.88	2.07	2.10	2.205
Net dividend with VVPR strip	2.55	2.13	2.35	2.38	2.499
Coupon number	7	8	9	10	11
Date of payment	17/05/06	16/05/07	21/05/08	20/05/09	19/05/10
Ex-date				15/05/09	14/05/10

## Appropriation of available profit

In the light of the company's strong performance in 2009 and its confidence in the future, the Board of Directors will propose that the General Meeting of Shareholders approve the distribution of a gross dividend of € 2.940 per share. If this proposal is accepted, the net dividend per share will be € 2.205, and the net dividend on shares with VVPR strip, thereby reducing the withholding tax to 15%, will be € 2.499 per share.

## General Meetings of Shareholders

The Annual General Meeting was held on 13 May 2009. An Extraordinary General Meeting was held on the same day. A Special General Meeting took place on 15 April 2009. The resolutions of the three meetings are available at [www.bekaert.com](http://www.bekaert.com).

More detailed information is available in the Bekaert Shareholders' Guide 2009 and on [www.bekaert.com](http://www.bekaert.com)

## 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 twice in 2009, and the provisions of Article 523 were complied with on both occasions.

On 12 March 2009 the Board had to determine the remuneration of the Chief Executive Officer. Excerpt from the minutes:

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

- *the grant of a bonus of € 470 000 to the Chief Executive Officer for 2008;*
- *the 2009 bonus target proposal for the Chief Executive Officer; and*
- *an increase in the fixed remuneration of the Chief Executive Officer by 2.5% for 2009.*

Also on 12 March 2009 the Board had to determine the remuneration of the Chairman of the Board. Excerpt from the minutes:

*Sir Anthony Galsworthy assumes the chair of the meeting in his capacity as the longest serving independent Member of the Board.*

*Dr Alan Begg chaired the Nomination and Remuneration Committee meeting and Mr Maxime Jadot acted as the Committee's secretary during the discussion of this subject. At Sir Anthony's request, Mr Jadot reports the Committee's recommendations:*

- *to keep the set amount of € 500 000 per year, without variable remuneration or stock options in accordance with the Belgian Corporate Governance Code, and to extend the terms of the existing contract;*
- *to keep the required availability of 50% of the Chairman's time;*
- *to have the outstanding deferred compensation (pension arrangement) reviewed by the Committee;*
- *timely to initiate the Chairman succession planning process.*

*On the motion of the Nomination and Remuneration Committee, the Board resolves to keep the*

remuneration of the Chairman for the performance of all his duties in the Company at the set amount of € 500 000 for each of the periods June 2009 - May 2010, June 2010 - May 2011 and June 2011 - May 2012, and otherwise to extend the terms of the existing contract between the Company and the Chairman for those periods. The Board requests the Committee to review the Chairman's outstanding deferred compensation. This resolution is subject to:

- the re-appointment of the Chairman as a Director for a term of three years up to and including the Ordinary General Meeting to be held in 2012;
- his re-election as Chairman for the same term; and
- the approval of this resolution by the Ordinary General Meeting of Shareholders.

Reference is also made to Note 7.6 (Events after the balance sheet date) to the consolidated financial statements.

### 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 Bekaert Group Executive 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 2009 (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 Bekaert Group Executive, 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 Banking, Finance and Insurance Commission (CBFA). The Chairman of the Board is the Compliance Officer for purposes of the Bekaert Insider Dealing Code.

## Elements pertinent to a take-over bid

### Restrictions on the transfer of securities

The Articles of Association contain no restrictions on the transfer of the 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 11bis 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 Article 31 of the Articles of Association. Pursuant to Article 11 the company is entitled to suspend the exercising 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 Financial Review in this annual report (Parent company information: 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, the induction and the 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 Ordinary 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 64 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 67.

### **Amendments to the Articles of Association**

The Articles of Association can be amended by the 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 45 of the Articles of Association to increase the registered capital in one or more times by a maximum amount of € 170 000 000. The authority is valid for five years, but can be extended by the General Meeting.

Within the framework of that authority the Board can also, during a period of three years, increase the registered capital, upon receipt by the company of a notice from the CBFA 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 shares that, in the aggregate, represent no more than 20% of the issued capital, during a period of five years (that can be extended by the General Meeting), at a price ranging between minimum € 1 and maximum 30% above the arithmetic average of the closing price of the 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 the five-year period. The Board is also authorized to acquire shares, if required, to prevent a threatened serious harm to the company, including a public take-over bid. Such authority is granted for a period of three years, 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 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**

NV Bekaert SA 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 and 15 April 2009 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 and 17 April 2009 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 commit funds to the company or one of its subsidiaries, and service contracts. 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 take-over bid, the Directors resign or are made redundant without valid reason or if the employment of the employees is terminated.

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The economic turbulence of the past year has not stopped us from delivering optimal service to our customers, nor from investing for the future and creating value for our shareholders.”

Baron Buysse, Chairman of the Board of Directors