

# 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 Corporate Governance Charter was further revised by the Board of Directors on 13 November 2014 and on 28 July 2016 (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 currently consists of fifteen members, who are appointed by the General Meeting of Shareholders. Eight of the Directors are appointed from among candidates nominated by the principal shareholder. 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.

Five 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: Celia Baxter (first appointed in 2016), Alan Begg (first appointed in 2008), Pamela Knapp (first appointed in 2016), Martina Merz (first appointed in 2016) and Mei Ye (first appointed in 2014).

The Board had six regular meetings in 2017. 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 2017:

- » strategic projects;
- » the strategic plan for the period 2018-2022;
- » the business plan for 2018;
- » the succession planning at the Board and Executive Management levels;
- » the remuneration and long-term incentives for the Chief Executive Officer and the other members of the Executive Management;
- » the 2017 global employee survey;
- » governance, risk and compliance;
- » the repurchase of Company shares;
- » Board evaluation;
- » continuous monitoring of the debt and liquidity situation of the Group.

Name	First appointed	Expiry of current Board term	Principal occupation <sup>(2)</sup>	Number of regular/extraordinary meetings attended
<b>Chairman</b>				
Bert De Graeve <sup>(1)</sup>	2006	2019	NV Bekaert SA	6
<b>Chief Executive Officer</b>				
Matthew Taylor	2014	2018	NV Bekaert SA	6
<b>Members nominated by the principal shareholder</b>				
Leon Bekaert	1994	2019	Director of companies	6
Grégory Dalle	2015	2019	Managing Director, Credit Suisse International, Investment Banking and Capital Markets	6
Charles de Liedekerke	1997	2019	Director of companies	6
Christophe Jacobs van Merlen	2016	2020	Managing Director, Bain Capital Private Equity (Europe), LLP (UK)	5
Hubert Jacobs van Merlen	2003	2019	Director of companies	6
Maxime Jadot	1994	2019	CEO and Chairman of the Executive Board, BNP Paribas Fortis (Belgium)	6
Emilie van de Walle de Ghelcke	2016	2020	Legal Counsel, Sofina (Belgium)	6
Henri Jean Velge	2016	2020	Director of Companies	6
<b>Independent Directors</b>				
Celia Baxter	2016	2020	Director of companies	6
Alan Begg	2008	2018	Director of companies	6
Pamela Knapp	2016	2020	Director of companies	6
Martina Merz	2016	2020	Director of companies	6
Mei Ye	2014	2018	Independent director of and advisor to companies	6

<sup>(1)</sup> Bert De Graeve was first appointed as Board Member in 2006. In 2014 he became Chairman of the Board.

<sup>(2)</sup> 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, Ms Pamela Knapp, is independent. Ms Knapp's competence in accounting and auditing is demonstrated by her former position as Chief Financial Officer of the Power Transmission and Distribution Division of Siemens (from 2004 to 2009) and her position as Chief Financial Officer of GfK SA (from 2009 to 2014). The Committee members as a whole have competence relevant to the sector in which the Company is operating. The Committee is chaired by Mr Hubert Jacobs van Merlen.

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 the Executive Management.

Name	Expiry of current board term	Number of regular and extraordinary meetings attended
Hubert Jacobs van Merlen	2019	4
Bert De Graeve	2019	4
Pamela Knapp	2020	4
Christophe Jacobs van Merlen	2020	4

The Committee had four regular meetings in 2017. 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;
- » governance, risk and compliance and 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, Ms Celia Baxter and Mr Alan Begg, 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 board term	Number of meetings attended
Bert De Graeve	2019	3
Celia Baxter	2020	3
Alan Begg	2018	3

One of the Directors nominated by the principal shareholder and the Chief Executive Officer are invited to attend the Committee meetings without being a member.

The Committee met three times in 2017. In addition to its statutory powers and its powers under the Bekaert Charter, the Committee discussed the following main subjects:

- » the recruitment of a new Chief Human Resources Officer;
- » the succession planning at the top management level;
- » the variable remuneration for the Chief Executive Officer and the other members of the Executive Management for their performance in 2016;
- » the base remuneration for the Chief Executive Officer and the other members of the Executive Management for 2017;
- » target setting for 2017;
- » the long-term incentive grants.

## 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 board term	Number of meetings attended
Bert De Graeve	2019	3
Leon Bekaert	2019	3
Charles de Liedekerke	2019	3
Maxime Jadot	2019	3
Martina Merz	2020	3
Matthew Taylor	2018	3

The Committee met three times in 2017 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 this section and 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.

In 2017, the Chairman organized a performance appraisal of the full Board.

## Diversity

Since the Annual General Meeting of 11 May 2016, the Company is compliant with the legal requirement that at least one third of the members of the Board of Directors are of the opposite gender.

Bekaert is developing a recruitment and promotion policy which is aimed at gradually driving more diversity, including gender diversity. More information is available in Bekaert's Group-wide Sustainability report.

## 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.

Ms Rajita D'Souza joined Bekaert as Chief Human Resources Officer and became a member of the BGE effective 1 September 2017.

Per 1 March 2018, Mr Jun Liao took over the responsibilities of Mr Vandekerckhove regarding the North Asia region and joined the BGE.

As from 1 March 2018, the BGE consists of the following members:

Name	Position	Appointed
Matthew Taylor	Chief Executive Officer	2013
Rajita D'Souza	Chief Human Resources Officer	2017
Beatriz García-Cos	Chief Financial Officer	2016
Lieven Larmuseau	Executive Vice President Rubber Reinforcement Business Platforms	2014
Jun Liao	Executive Vice President North Asia	2018
Curd Vandekerckhove	Executive Vice President Global Operations	2012
Geert Van Haver	Chief Technology and Engineering Officer	2014
Stijn Vanneste	Executive Vice President Europe, South Asia and South East Asia	2016
Piet Van Riet	Executive Vice President Industrial Products and Specialty Products Business Platforms, Marketing & Commercial Excellence	2014
Frank Vromant	Executive Vice President Americas	2011

## Conduct policies

### Statutory conflicts of interest 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 interest of a financial nature with the Company, and should refrain from participating in the discussion of and voting on those items. A conflict of interest arose on two occasions in 2017, and the provisions of Article 523 were complied with on such occasions.

On 28 February 2017, the Board had to determine the remuneration of the Chief Executive Officer (amongst which the proposed short term variable remuneration of € 636 694 on account of his 2016 performance and the proposed mid-term variable remuneration of € 181 913 in respect of the period 2014-2016). Excerpt from the minutes:

#### RESOLUTION

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

- » *approves the proposed short term variable remuneration payable to the CEO on account of his 2016 performance;*
- » *approves the proposed base salary increase for the CEO, to apply as from 1 July 2017;*
- » *approves the proposed exceptional grant of 10 000 performance share units for the CEO and the related performance target in accordance with the Performance Share Plan NV Bekaert SA 2015-2017.*
- » *resolves to waive the contractually agreed deferral of one third of the CEO's annual variable pay for this year.*

#### RESOLUTION

*On the motion of the Nomination and Remuneration Committee, the Board approves the mid-term variable remuneration payable in respect of the period 2014-2016.*

#### RESOLUTION

*On the motion of the Nomination and Remuneration Committee, the Board approves the short term variable remuneration objectives for the CEO in respect of 2017.*

On 18 December 2017, the Board had to decide on the number of options that would be offered to the Chief Executive Officer under the Stock Option Plan 2015-2017 and on the performance targets with respect to the performance share units that would be granted in December 2017 under the Performance Share Plan 2015-2017. The Board also discussed the future long-term incentive plan for the period 2018-2020. Excerpt from the minutes:

#### RESOLUTION

*On the motion of the Nomination and Remuneration Committee, the Board approves the offer of 20 000 options to the CEO pursuant to the Stock Option Plan 2015-2017.*

#### RESOLUTION

*On the motion of the Nomination and Remuneration Committee, the Board approves the proposed performance targets with respect to the performance share units that will be granted in December 2017.*

#### RESOLUTION

*On the motion of the Nomination and Remuneration Committee, the Board approves the proposal to replicate the current long-term incentive plan (i.e. combination of stock option plan and performance share plan) for a three-year period (2018-2020).*

## Other transactions with Directors and Executive Management

The Bekaert Charter contains conduct guidelines with respect to direct and indirect conflicts of interest 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 interest concerning such transactions occurring in 2017 (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 Dealing Code. As a result of the EU Market Abuse Regulation, the Board of Directors has, on 28 July 2016, approved a new version of the Bekaert Dealing Code, effective 3 July 2016. The Bekaert Dealing Code is included in its entirety in the Bekaert Charter as Appendix 4. The Bekaert Dealing Code restricts transactions in Bekaert financial instruments 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 disclosure of executed transactions by leading managers and their closely associated persons through a notification to the Company and to the Belgian Financial Services and Markets Authority (FSMA). The Company Secretary is the Dealing Code Officer for purposes of the Bekaert Dealing Code.

## Remuneration Report

### 1. Description of the procedure used in 2017 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 Meetings of 11 May 2011 and of 14 May 2014.

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 2017 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.

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 for the attendance fees in respect of Board or Committee meetings.

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 Board Member Expense Policy.

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 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.

#### Executive managers

The main elements of the Group's executive remuneration policy are a base remuneration, a short-term and a 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 long-term variable remuneration program aims at rewarding managers and executives for their contribution to the creation of enhanced shareholder value over time. This program is 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 and a 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 Nomination and Remuneration 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 other members of the Executive Management consists of a base remuneration, a short-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 Executive Manager, being a member of the BGE leading a globally operating industrial group with various business platforms. The Chief Executive Officer evaluates the performance of each of the other BGE members 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.

The long-term variable remuneration component for the Chief Executive Officer and the other BGE members exists of the offer of a variable amount of stock options under a share option plan and the grant of a fixed amount of performance share units under a performance share plan.

The Chief Executive Officer and the other members of the BGE also participate in a Personal Shareholding Requirement Plan, pursuant to which they are required to build and maintain a personal shareholding in Company shares and whereby the Company matches the BGE member's investment in Company shares in year  $x$  with a direct grant of a similar number of Company shares at the end of year  $x + 2$ .

### 3. Remuneration of the Directors in respect of 2017

The amount of the remuneration and other benefits granted directly or indirectly to the Directors, by the Company or its subsidiaries, in respect of 2017 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 € 250 000.

The remuneration of each Director, except the Chair, for the performance of the duties as a member of the Board was a set amount of € 42 000, and an amount of € 4 200 for each meeting of the Board attended in person (with a maximum of € 25 200 for six meetings per year).

The remuneration of the Chair of the Audit and Finance Committee, in the capacity as Chair and member of such a Committee, was an amount of € 4 000 for each Committee meeting 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 € 3 000 for each Committee meeting attended in person.

in €	Set amount	Amount for board attendance	Amount for committee attendance	Total
<b>Chairman</b>				
Bert De Graeve	250 000			250 000
<b>Board members</b>				
Celia Baxter	42 000	25 200	9 000	76 200
Alan Begg	42 000	25 200	9 000	76 200
Leon Bekaert	42 000	25 200	9 000	76 200
Grégory Dalle	42 000	25 200	0	67 200
Charles de Liedekerke	42 000	25 200	9 000	76 200
Christophe Jacobs van Merlen	42 000	21 000	12 000	75 000
Hubert Jacobs van Merlen	42 000	25 200	16 000	83 200
Maxime Jadot	42 000	25 200	9 000	76 200
Pamela Knapp	42 000	25 200	12 000	79 200
Martina Merz	42 000	25 200	9 000	76 200
Matthew Taylor	42 000	25 200	0	67 200
Emilie van de Walle de Ghelcke	42 000	25 200	0	67 200
Henri Jean Velge	42 000	25 200	0	67 200
Mei Ye	42 000	25 200	0	67 200
<b>Total Directors' Remuneration</b>				<b>1 280 600</b>

#### 4. Remuneration of the Chief Executive Officer in respect of 2017 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 table in section 6 below.

#### 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 the following performance related elements:

- » a short-term variable remuneration, with objectives related to the annual business plan. The objectives are set at the beginning of the year by the Nomination and Remuneration Committee and are approved by the Board. Those objectives include a weighted average of both Group and individual financial and non-financial targets which are relevant in evaluating annual financial performance of the Group and progress achieved against the agreed strategic objectives; they are evaluated annually by the Board. One third of the annual short-term variable remuneration of the Chief Executive Officer is deferred over a period of twenty-four months; no deferral is applicable for the other members of the BGE.
- » a long-term variable remuneration, in the form of:
  - the offer of a variable amount of stock options;
  - the grant of a fixed amount of performance share units which will vest following a vesting period of three years, conditional to the achievement of a pre-set performance target.

The performance criteria used to evaluate the short-term and long-term variable remuneration are sales turnover, EBIT, working capital, share price growth, non-financial targets such as the implementation of transformation programs, combined with specific individualized objectives.

At par level, the value of the variable remuneration elements of the Chief Executive Officer and the other members of the BGE exceeds 25% of their total remuneration. More than half of this variable remuneration is based on criteria over a period of minimum three years.

#### 6. Remuneration of the Chief Executive Officer in respect of 2017

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 2017 for his Chief Executive Officer role is set forth below.

Matthew Taylor	Remuneration <sup>(1)</sup>	Comments
Base remuneration	€ 779 145	Includes Belgian base remuneration as well as Belgian and foreign director fees <sup>(2)</sup>
Short-term variable remuneration	€ 477 521	Annual variable remuneration, based on 2017 performance
Mid-term variable remuneration	€ 95 504	Mid-term variable remuneration, based on 2015-2017 performance
Long-term variable remuneration:		
- Stock option grant	30 000 options	Number of stock options granted
- Performance share units	16 500 units	Number of performance share units granted
Pension	€ 155 384	Defined Contribution Plan
Other remuneration elements	€ 55 353	Includes company car and risk insurances

<sup>(1)</sup> In respect of 2017.

<sup>(2)</sup> The base remuneration includes the remuneration received by the Chief Executive Officer in his capacity as a Director.

## 7. Remuneration of the other Bekaert Group Executive members in respect of 2017

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 2017 is set forth below on a global basis

	Remuneration <sup>(1)</sup>	Comments
Base remuneration	€ 2 848 250	Includes Belgian base remuneration as well as Belgian and foreign director fees
Short-term variable remuneration	€ 1 444 453	Annual variable remuneration, based on 2017 performance
Mid-term variable remuneration	€ 181 236	Mid-term variable remuneration, based on 2015-2017 performance
Long-term variable remuneration:		
- Stock option grant	90 500 options	Number of stock options granted
- Performance share units	22 500 units	Number of performance share units granted
Pension	€ 480 602	Defined Contribution and Defined Benefit Plan
Other remuneration elements	€ 128 954	Includes company car and risk insurances

<sup>(1)</sup> In respect of 2017.

## 8. Stock Options and Performance Share Units for Executive Management granted in 2017

The number of performance share units and the number of stock options granted to the Chief Executive Officer and the other members of the BGE in 2017, and the number of options exercised by them or forfeited in 2017 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 in 2017 are based on the Stock Option Plan 2015-2017 that was proposed by the Board of Directors and approved by a Special General Meeting in 2015. The plan offers options to acquire existing Company shares. There is one regular offer of options in December in each of the years 2015 through 2017, and the options are granted on the sixtieth day following the date of their offer (i.e. in February of the following year).

The 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 2016 and granted in February 2017 is € 39.426 per share.

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 year following the date of their offer.

The stock options that were exercisable in 2017 are based on the initial four grants of the Stock Option Plan 2010-2014 and on the predecessor plans to the Stock Option Plan 2010-2014. The terms of the earlier plans are similar to those of the Stock Option Plan 2015-2017, but the options that were granted to employees under the predecessor plans to the Stock Option Plan 2010-2014 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 SOP2010-2014 plan.

The performance share units granted in 2017 to the Chief Executive Officer and the other members of the BGE are based on the Performance Share Plan 2015-2017 that was proposed by the Board of Directors and approved by a Special General Meeting in 2015.

The plan offers rights with respect to Company shares to the members of the BGE, the senior management and a limited number of management staff members of the Company and a number of its subsidiaries (the rights, "performance share units" and the shares, "performance shares"). Each performance share unit entitles the beneficiary to acquire one performance share subject to the conditions of the Performance Share Plan 2015-2017. These performance share units will vest following a vesting period of three years, conditional to the achievement of a pre-set performance target. The performance target is set annually by the Board of Directors, in line with the Company strategy. The precise vesting level of the performance share units will depend upon the actual achievement level of the vesting criterion, with no vesting at all if the actual performance is below the defined minimum threshold. Upon achievement of said threshold, there will be a minimum vesting of 50% of the granted performance share units; full achievement of the agreed vesting criterion will lead to a par vesting of 100% of the granted performance share units, whereas there will be a maximum vesting of 300% of the granted performance share units if the actual performance

is at or above an agreed ceiling level. In between these levels, the vesting will be proportionate. Upon vesting, the beneficiaries will also receive the value of the dividends relating to the previous three years with respect to such (amount of) performance shares to which the effectively vested performance share units relate. It is foreseen that there is one performance share unit grant in each of the years 2015 through 2017, and the aggregate number of performance share units to be offered is determined each year by the Board of Directors on the motion of the Nomination and Remuneration Committee. The performance share units are granted to the beneficiaries for free.

### 9. Severance pay for Executive Management

Belgian labor law and normal practice are the basis for the severance arrangements with the executive managers, except for the Chief Executive Officer, the Chief Financial Officer and the Chief Human Resources Officer, whose contractual arrangements, entered into at the time of their appointment, provide for a notice period of twelve months.

	Number of performance share units granted in 2017	Number of stock options granted in 2017	Number of stock options exercised in 2017	Number of stock options forfeited in 2017
Matthew Taylor	16 500	30 000	20 000	-
Beatriz Garcia-Cos	2 500	12 500	-	-
Rajita D'Souza	5 000	-	-	-
Lieven Larmuseau	2 500	15 000	12 500	-
Geert Van Haver	2 500	9 500	23 500	-
Piet Van Riet	2 500	12 500	5 900	-
Curd Vandekerckhove	2 500	15 000	-	-
Stijn Vanneste	2 500	12 500	2 700	-
Frank Vromant	2 500	13 500	12 000	-

### 10. Departure of Executive Managers

Bart Wille, former Chief Human Resources Officer, left the company on 31 July 2017. In accordance with the contractual agreement, a severance arrangement based on twelve months has been agreed.

### 11. 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 2017

#### Approach

Bekaert is committed to providing transparent financial information to its shareholders. It is Bekaert's intention to engage constantly in an open dialogue with its shareholders.

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.

#### Share performance

in €	2013	2014	2015	2016	2017
Price as at 31 December	25.720	26.345	28.385	38.485	36.445
Price high	31.110	30.195	30.000	42.450	49.915
Price low	20.010	21.900	22.580	26.560	33.500
Price average closing	24.926	27.155	26.124	37.065	42.052
Daily volume	126 923	82 813	120 991	123 268	121 686
Daily turnover (in millions of €)	3.1	2.1	3.1	4.5	5.0
Annual turnover (in millions of €)	796	527	804	1 147	1 279
Velocity (% annual)	54	35	52	53	51
Velocity (% adjusted free float)	90	59	86	88	86
Free float (%)	59.9	55.7	56.7	59.2	59.6

#### Volumes traded

The average daily trading volume was about 122 000 shares in 2017. The volume peaked on 20 December, when 715 255 shares were traded.



On 23 February 2018 Bekaert had a market capitalization of 2.3 billion and a free float market capitalization of 1.4 billion. The free float was 59.56% and the free float band 60%.

After having been an established value in the Euronext Brussels Star Index since its start in 1991, Bekaert was excluded from BEL20® as from 19 March 2018.

Bekaert, world market and technology leader in steel wire transformation and coating technologies, will continue to create value for its customers and shareholders. That is our focus. Our growth and transformation journey will allow us to move towards a 10% underlying EBIT margin over the medium term. That is our firm ambition.

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).

Stichting Administratiekantoor Bekaert (principal shareholder) owns 34.42 % of the shares, while the identified institutional shareholders own 36.18% of the shares. Retail represents 11.80% while Private Banking 7.60% and treasury shares 6.02%. 3.98% is unidentified.

## Capital structure

As of 31 December 2017 the registered capital of the Company amounts to € 177 690 000, and is represented by 60 373 841 shares without par value. The shares are in registered or dematerialized form.

## Authorized capital

The Board of Directors has been authorized by the General Meeting of Shareholders of 11 May 2016 to increase the Company's registered capital in one or more times by an aggregate maximum amount of € 176 000 000 (before any issue premium). The authority is valid for five years from 20 June 2016 and can be renewed in accordance with the applicable statutory provisions. Pursuant to this authorization, the Board of Directors may, among others, effect a capital increase under the authorized capital by means of issuing ordinary shares, subscription rights or convertible bonds and may limit or disapply the preferential subscription right of the Company's shareholders in accordance with Article 596 and following of the Companies Code. Furthermore, the Board of Directors has been authorized, for a period of three years from 20 June 2016, to make use of the authorized capital upon receipt by the Company of a notice from the FSMA of a public takeover bid for the Company's securities.

## Convertible bonds

The Board of Directors has made use of its powers under the authorized capital when it resolved on 18 May 2016 to issue senior unsecured convertible bonds due June 2021 for an aggregate amount of € 380 000 000 (the "2016 Convertible Bonds"). These convertible bonds carry a zero-coupon and their conversion price amounts to € 51.25 per share.

In connection with the issuance of the 2016 Convertible Bonds, the Board of Directors resolved to disapply the preference subscription right of existing shareholders set forth in Articles 596 and following of the Companies Code. The terms of the convertible bonds allow the Company, upon the conversion of the bonds, to either deliver new shares or existing shares or pay a cash alternative amount.

In order to mitigate dilution for existing shareholders upon conversion of the 2016 Convertible Bonds, the Board of Directors intends where possible, to repay the principal amount of the convertible bonds in cash and, if the then prevailing share price is above the conversion price, pay the upside in existing shares of the Company. The conversion of the 2016 Convertible Bonds would then have no dilutive effect for existing shareholders.

Furthermore, the terms of the 2016 Convertible Bonds allow the Company to redeem the bonds at their principal amount together with accrued and unpaid interest in certain circumstances, for example on or after 30 June 2019, if the Company's shares trade at a price higher than 130% of the conversion price during a certain period.

## Stock option plans, performance share plan and personal shareholding requirement plan

The total number of outstanding subscription rights under the Stock Option Plan 2005-2009 and convertible into Bekaert shares is 208 170. A total of 26 316 subscription rights were exercised in 2017 under the Stock Option Plan 2005-2009, resulting in the issue of 26 316 new Company shares, and an increase of the registered capital by € 78 000 and of the share premium by € 683 798.

In addition to the 3 885 446 treasury shares held by it as of 31 December 2016, the Company purchased 172 719 own shares in the course of 2017. A total of 403 150 stock options were exercised in 2017 under the Stock Option Plan 2010-2014 and 403 150 treasury shares were used for that purpose. 17 191 treasury shares were sold to members of the Executive Management in the context of the Personal Shareholding Requirement Plan (at a price equal to the closing price at Euronext on the day of the transfer) and 1 544 treasury shares were transferred to a member of the Executive Management pursuant to the Company matching mechanism under the Personal Shareholding Requirement Plan. No treasury shares were cancelled in 2017. As a result, the Company held an aggregate 3 636 280 treasury shares as of 31 December 2017.

A second grant of options under the Stock Option Plan 2015-2017 took place on 13 February 2017, when 273 325 options were granted. Each such option will be convertible into one existing Company share at an exercise price of € 39.43.

A third offer of 227 875 options under the Stock Option Plan 2015-2017 was made on 21 December 2017, and 225 475 of those options were accepted and were granted on 20 February 2018. Each option of the third series will be convertible into one existing Company share at an exercise price of €34.60.

A third regular grant of 55 250 performance share units under the Performance Share Plan 2015-2017 was made on 21 December 2017. In addition, an exceptional grant of 10 000 performance share units to the Chief Executive Officer was made on 6 March 2017 and an exceptional grant of 5 000 performance share units to the newly hired Chief Human Resources Officer was made on 1 September 2017. Each performance share unit entitles the beneficiary to acquire one performance share subject to the conditions of the Performance Share Plan 2015-2017.

These performance share units will vest following a vesting period of three years, conditional to the achievement of a pre-set performance target. The precise vesting level of the performance share units will depend upon the actual achievement level of the vesting criterion, with no vesting at all if the actual performance is below the defined minimum threshold. Upon achievement of said threshold, there will be a minimum vesting of 50% of the granted performance share units; full achievement of the agreed vesting criterion will lead to a par vesting of 100% of the granted performance share units, whereas there will be a maximum vesting of 300% of the granted performance share units if the actual performance is at or above an agreed ceiling level. In between these levels, the vesting will be proportionate.

The Stock Option Plan 2015-2017 and its predecessor stock option 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

The Board of Directors will propose that the Annual General Meeting to be held on 9 May 2018 approve the distribution of a gross dividend of € 1.10 per share.

in €	2013	2014	2015	2016	2017 <sup>(1)</sup>
Total gross dividend	0.850	0.850	0.900	1.100	1.100
Net dividend <sup>(2)</sup>	0.638	0.638	0.657	0.770	0.770
Coupon number	5	6	7	8	9

<sup>(1)</sup> The dividend is subject to approval by the General Meeting of Shareholders 2018.

<sup>(2)</sup> Subject to the applicable tax legislation.

## General Meeting of Shareholders

The Annual General Meeting was held on 10 May 2017. An Extraordinary General Meeting was held on 29 March 2017. The resolutions of the meetings are available 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 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 30 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 20 June 2016, 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 20 June 2016, 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 20 June 2016 (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 thirty 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 24 April 2015, 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, 8 May 2013, 14 May 2014, 13 May 2015, 11 May 2016 and 10 May 2017 in accordance with Article 556 of the Companies Code; the minutes of those meetings were filed with the Registry of the Commercial Court of Gent, division Kortrijk on 14 April 2006, 18 April 2008, 17 April 2009, 16 April 2010, 15 April 2011, 30 May 2012, 23 May 2013, 20 June 2014, 19 May 2015, 18 May 2016 and 2 June 2017 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 long-term incentive 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 region), 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.

The in 2016 acquired companies of the Bridon Group are using different systems which are in the process of being aligned to and harmonized in the way of working to the existing Bekaert practices. 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 year end 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. The last update was done in November 2017. 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 2017 ERM report includes among others, the following potential risks:

- » overall pressure on profitability
- » political/economic/social instability in emerging countries (e.g. Venezuela, Russia);
- » 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 regulations;
- » creditworthiness of customers; and
- » the risk of failure of the banking system in specific countries.