



Corporate Governance



Bekaert works with tire manufacturers to select the steel cord product which provides the reinforcement needed and is best suited to the production process.

Bekaert attaches great importance to good corporate governance and complies with internationally accepted standards and rules.

At its meeting of 16 December 2005, the Board of Directors approved the Bekaert Corporate Governance Charter in accordance with the Belgian Corporate Governance Code. The Charter is available at www.bekaert.com.

In accordance with the Corporate Governance Code, the relevant events of the 2005 financial year are discussed below.

Board of Directors

Composition

The Board of Directors consists of fourteen members, eight of whom represent the principal shareholders. Only the Chief Executive Officer has an executive function. All other members are non-executive directors.

Four of the directors are independent within the meaning of Article 524 of the Companies Code and provision 2.3 of the Corporate Governance Code. Messrs. Gary J. Allen and Pol Bamelis, and Baron Georges Jacobs have been members of the Board of Directors since 1987, 1995 and 1996, respectively. The experience of the business they have gained since their appointment is not liable to affect their independent judgment, and Bekaert accordingly considers them to be independent directors.

Name	First appointed	Expiry of current term	Principal occupation ¹	Number of ordinary meetings attended	Number of extraordinary meetings attended
Chairman					
Baron Buysse	2000	2006	NV Bekaert SA	7	1
Executive Director					
Julien De Wilde	2002	2006	NV Bekaert SA	7	1
Members representing principal shareholders					
Baron Leon Bekaert	1994	2006	Director of companies	7	2
Roger Dalle	1998	2007		7	2
Count Charles de Liedekerke	1997	2006	Director of companies	7	1
François de Visscher	1992	2007	President, de Visscher & Co. (United States)	6	1
Hubert Jacobs van Merlen	2003	2006	President and Chairman, IEE SA, Luxembourg	7	1
Maxime Jadot	1994	2006	Head of Investment Banking, Fortis Bank (Belgium)	7	1
Bernard van de Walle de Ghelcke	2004	2007	Partner, Linklaters (Belgium)	7	1
Baudouin Velge	1998	2007	Chief Executive Officer, FEDIS (Belgium)	7	1
Independent directors					
Gary J. Allen	1987	2008		7	0
Pol Bamelis	1995	2007	Director of companies	7	0
Sir Anthony Galsworthy	2004	2007	Director of companies	7	1
Baron Georges Jacobs	1996	2007	Chairman of the Board of Directors, UCB (Belgium)	6	0

¹ The detailed resumes of all Board members are available at www.bekaert.com.

Activity report

The Board met on nine occasions in 2005. Seven were regular meetings, with virtually full attendance (cf. table above). Two extraordinary meetings were held. The first was to decide the sale to Gilde of the European fencing division Bekaert Fencing NV. The second, held in the presence of a notary public, was to extend the exercise period of the subscription rights issued within the framework of the authorized capital under the stock option plan 1999–2004.

In addition to its statutory powers and powers under the Articles of Association, the Board of Directors also considered the following matters, among others:

- the 2005 budget;
- major investments and acquisitions;
- the remuneration of the Chairman of the Board of Directors;
- the succession of the Chief Executive Officer;
- the introduction of a new stock option plan 2005–2009 (cf. below);
- the purchase of own shares (cf. below);
- the Corporate Governance Code and the drafting of the Bekaert Corporate Governance Charter;
- Euronext's classification of Bekaert and Bekaert's position in the BEL-20 stock exchange index;
- the proposal for restructuring of the Lanklaar plant;
- the implementation of the strategy and the three-year plans.

On 22 December 2005, the Board of Directors announced that it intended to propose Bert De Graeve, currently the Chief Financial and Administration Officer, for appointment as Chief Executive Officer by the General Meeting of Shareholders on 10 May 2006 to succeed Julien De Wilde.

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Remuneration

Information on the remuneration of the members of the Board of Directors is given in the Financial Review (Note 6.3) of this annual report.

Committees of the Board of Directors

Audit and Finance Committee

The Audit and Finance Committee has five members. Contrary to the Corporate Governance Code, it 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 the protection of the interests of all shareholders. The Committee further consists of the Chief Executive Officer, three directors, one of whom is independent and two of whom represent the principal shareholders, and the Chief Financial and Administration Officer. Contrary to the Corporate Governance Code, Bekaert takes the view that the Audit and Finance Committee should reflect the balanced composition of the full Board.

As from 2006, the Chief Executive Officer and the Chief Financial and Administration Officer will no longer be members of the Committee, but will be invited to attend its meetings. This arrangement will safeguard the essential dialogue between the Board of Directors and executive management.

The Committee met three times in 2005. The main items on the agenda included:

- the tax deduction for risk capital as an alternative to the coordination centre;
- the transfer pricing policy;
- the restructuring of the long-term debt;
- the purchase of own shares;
- the composition of the Internal Audit Department.

Name	Expiry of current term	Number of meetings attended
Baron Buysse	2006	3
Julien De Wilde	2006	3
François de Visscher	2007	2
Baudouin Velge	2007	3
Gary J. Allen	2008	3

Nomination and Remuneration Committee

The Nomination and Remuneration Committee has four members, is chaired by the Chairman of the Board and further consists of three directors, one of whom is independent and two of whom represent the principal shareholders. Contrary to the Corporate Governance Code, Bekaert takes the view that the Nomination and Remuneration Committee should reflect the balanced composition of the full Board.

The Committee met four times in 2005. The main items on the agenda included:

- the composition of the Board of Directors and the committees;
- the remuneration of the Chairman of the Board of Directors;
- the succession of the Chief Executive Officer, and the nomination of a new Chief Executive Officer;
- the human resources strategy.

Name	Expiry of current term	Number of meetings attended
Baron Buysse	2006	4
Roger Dalle	2007	4
Maxime Jadot	2006	4
Gary J. Allen	2008	4

Strategic Committee

The Strategic Committee has six members, is chaired by the Chairman of the Board and further consists of the Chief Executive Officer and four directors, one of whom is independent and three of whom represent the principal shareholders.

The Committee met five times in 2005. The main item on the agenda was the company's long-term strategy.

Name	Expiry of current term	Number of meetings attended
Baron Buysse	2006	5
Julien De Wilde	2006	5
Baron Leon Bekaert	2006	5
Count Charles de Liedekerke	2006	5
Maxime Jadot	2006	5
Pol Bamelis	2007	5

Executive Management

Composition

The Bekaert Group Executive, which has five members, is the executive management. 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 activity platforms and for finance and administration.

Name	Position	Appointed
Julien De Wilde	Chief Executive Officer	2002
Henri-Jean Velge	Advanced wire products	1998
Marc Vandecasteele	Advanced wire products	1998
Georges Brys	Advanced materials and coatings	2001
Bert De Graeve	Chief Financial and Administration Officer	2002

Remuneration

Information on the remuneration of the members of the Bekaert Group Executive and of senior management is given in the Financial Review (Note 6.3) of this annual report.

Contractual arrangements

The hiring and termination arrangements made with the members of the Bekaert Group Executive contain no provisions which can be characterized as unusual in the light of current Belgian legislation or practice.

Conduct Policies

Statutory conflicts of interests within 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. Three such conflicts of interests arose in 2005.

Excerpt from the minutes of the meeting of 16 September 2005.

Chairman's compensation package.

Re-arrangement of the Chairman's compensation for the period 2005-May 2006.

By a letter to the Board dated 14 March 2005, the Chairman has reported a conflict of interests in connection with the Board's discussion and decision relative to changes in his remuneration package. The conflict arises from the fact that the Chairman's remuneration will be the subject of the decision. The Chairman also informed the company's independent auditors in writing on 14 March 2005.

The Chairman explains that he is of the opinion that the proposed decision with respect to the realignment of his remuneration package serves the best interest of the Company for the following reasons:

- the proposed realignment is consistent with the Company's efforts to comply with the Belgian Code on Corporate Governance;*
- the proposed decision relates to a mere realignment of the Chairman's existing remuneration package as currently in place in accordance with his contract, dated 12 December 2002 and effective as from 1 January 2003, with the Company (the "Contract"), and will not result in additional obligations being imposed on the Company;*

The Chairman then invites Mr Gary Allen to take over the Chair. Before giving the floor to Mr Gary Allen, the Chairman asks if there are any other remarks on Board proceedings. There are no remarks and no questions.

The Chairman thanks the Board Members for their presence and thereupon leaves the Board room.

The Board:

- Having requested the Nomination, Compensation and Pensions Committee (the "NCPC") to provide a proposal to realign the Chairman's remuneration package under the Contract, respecting all obligations from the Company towards the Chairman, complying with the Belgian Code on Corporate Governance, and taking into account that the Chairman has to consider his office as his principal occupation;*
- Having been fully informed of:*
 - the existing obligations towards the Chairman under duly approved agreements;*
 - the proposal submitted by the NCPC, supported by outside expert advice, and essentially including the following:*
 - the Chairman resigns from boards of Company subsidiaries*
 - the variable component (bonus linked to Company performance) is realigned: it is recalculated as a fixed amount and valued based on past averages, and will be granted as deferred compensation (pension arrangement);*
 - the equity related remuneration (stock options) is realigned: it is recalculated as a fixed amount and valued based on past averages, and will be granted as deferred compensation (pension arrangement);*
- all financial implications of the proposal, reviewed in even more detail by the NCPC;*
- the requirements of Article 523 of the Companies Code; and*
- the above statement of the Chairman and the reasons justifying the proposed realignment as set out above;*
- Resolves that, subject to the agreement of the Chairman, the Contract is confirmed by the Board and will be revised so as to read substantially as follows:*

"Article 1.

1.1. (revised)"

The Chairman will receive from the Company a remuneration equal to:

- in 2005:

- a cash remuneration of € 400 000 payable in equal monthly instalments; the amounts paid prior to this revision in 2005 as Board fees from subsidiary companies (€ 72 011) will be deducted from this amount;
- a deferred income in the form of a pension arrangement of € 560 000;
- a cash bonus of € 25 000 and a deferred income in the form of a pension arrangement of € 225 000 due over the results of 2004 under the previous reading of Article 1.1.

- In 2006 (until the Annual General Meeting of 10 May 2006):

- a cash remuneration of € 142 466 payable in equal monthly instalments;
- a deferred income in the form of a pension arrangement of € 199 452.
- The gross amount of the deferred income will be paid on the first day of the month following the month in which the Chairman retires from his office as director of the Company. The Company will make adequate provision for the amounts due under the deferred compensation scheme.

The deferred compensation scheme is described in a separate agreement dated 25 July 2002.

The premiums paid in 2005 under presently applicable and duly approved insurance policies with Fortis (live, death, invalidity) are included in the remuneration for 2005.

There are no other contractual remuneration elements.

The representation and travel costs, subject to justification and reasonableness, related to the day-to-day functioning of the Chairman are reimbursed. They are part of a total budget of the Board functioning monitored by the Audit and Finance Committee.

The Company puts a car and driver at the Chairman's disposal for professional use in the performance of his duties, and provides for a hospitalisation insurance.

1.2. (unchanged)

1.3. (deleted)"

- All other provisions of the Contract remain unchanged and continue in effect;
- Acknowledges and confirms that the deferred compensation agreement of 25 July 2002 continues in effect but will be revised to reflect the above-mentioned precise amounts;
- Acknowledges that the annual accounts for 2005 and 2006 will disclose the respective above-mentioned amounts;
- Requests the NCPC to arrange the formalization of all of the above-referenced contractual amendments;
- Acknowledges that the present resolutions will be disclosed in full in the annual report for 2005 in accordance with Article 523 of the Companies Code.

Excerpt from the minutes of the meeting of 10 November 2005

Report of the Nomination, Compensation and Pensions Committee meeting regarding the (renewal of the) Chairman's mandate

The Chairman reports a conflict of interests in connection with the Board's discussion and decision relative to the Chairman's mandate and the renewal thereof. The conflict arises from the fact that the Chairman's mandate will be the subject of the decision. He refers to his letters of 14 March 2005 to the Board and to the company's independent auditors on the subject.

The Chairman invites Mr Gary Allen to take over the Chair, and leaves the Board room. Mr. Allen, who was acting Chairman at the Nomination, Compensation and Pensions Committee meeting of 9 November 2005 for this topic, reports. The minutes are included hereafter.

Were present: G. Allen (acting Chairman)
R. Dalle
M. Jadot

Specific topic: (renewal) Chairman's mandate.

The NCPC, after open discussion on the possible renewal of the mandate of the present Chairman, makes following recommendation to the Board, and will ask the Group Secretary to have a draft contract prepared according to the recommendation.

Recommendation by the NCPC:

- *Whereas the Company (NV Bekaert SA) asked Mr. Paul Buysse in 2000 to take up the position of Chairman of the Board of Directors of the Company;*
- *Whereas Mr. Paul Buysse successfully executed the position during two consecutive mandates of which the present one terminates at the Annual General Meeting on 10 May 2006;*
- *Recommends to the Board of Directors to nominate Mr. Paul Buysse for a third mandate of three years as Chairman of the Board of Directors of the Company;*
- *Recommends to the Board of Directors to submit such proposal (including a remuneration package) to the Annual General Meeting on 10 May 2006;*
- *Whereas Mr. Paul Buysse himself has stated that the position no longer requires the same availability as in the past two mandates;*
- *Recommends to define the position of Chairman of the Board extensively in the Bekaert Corporate Governance Charter;*
- *Recommends to include the following in the contract:*
 - *Remuneration:*
 - *For the first year (June 2006 until May 2007: € 600 000);*
 - *For the second year (June 2007 until May 2008: € 500 000);*
 - *For the third year (June 2008 until May 2009: € 500 000).*

These amounts are fixed and all taxes, contributions or levies are due by the receiving party.

The remuneration is paid in twelve equal instalments to the Chairman's bank account.

This is the only remuneration due and it includes any compensation for the position as Chairman of the Board, or any mandate exercised within the company or any of its associated or consolidated group companies (including the remuneration as director of the company).

- *Support:*

The Company will provide the infrastructure and telecommunication equipment necessary for an adequate execution of the position.

The position related travel and entertainment expenses will be reimbursed upon reasonable justification. The expenses will on a yearly basis be reviewed and approved by the Audit and Finance Committee.

- *Duration:*

The new contract starts at the Annual General Meeting of 10 May 2006. In case of an early termination of the mandate, the remuneration will be due pro rata temporis in that year.

- *Other activities:*

Mr. Paul Buysse is supposed to spend 50% of normal working time on the execution of the chairmanship of the Board. He will not accept another mandate as chairman of a stock-exchange quoted company in or outside Belgium without the prior written approval by the Board of Directors upon reasoned advice of the Nomination, Compensation and Pensions Committee.

Resolution

The Board agrees with the recommendations formulated by the NCPC and the preparation of a contract subject to approval by the next Annual General Meeting of 10 May 2006.

Excerpt from the minutes of the meeting of 16 December 2005

Stock Option Plan

The Nomination, Compensation and Pensions Committee reviewed the proposed 2005 grants as per Plan design for Belgian managers. The international roll out is planned to take place in 2006. The NCPC supported the CEO recommendation to grant each other Bekaert Group Executive member 6 500 stock options. The CEO also made a recommendation to the NCPC to further increase the size of the grants to senior management next year in order to promote the focus on shareholder value creation. While the CEO left the meeting, the Chairman discussed with the other NCPC members the proposal to grant the CEO 15 000 stock options in 2005.

The NCPC recommends the Board to endorse this proposal.

Resolution

The Board of Directors agrees to make an offer of stock options on 22 December 2005 in accordance with the list attached to the minutes of the NCPC meeting of 15 December 2005, and in particular to offer:

- 6 500 stock options to each Bekaert Group Executive member other than the CEO and*
- 15 000 stock options to the CEO, and to further increase the size of the grants to senior management next year.*

All options of the 22 December 2005 offer are for new shares pursuant to the 2005-2009 Stock Option Plan, except that those for the self-employed Bekaert Group Executive members are for existing shares pursuant to the existing SOP2 Stock Option Plan.

Other transactions with Directors and Executive Management

A detailed questionnaire was circulated to the members of the Board of Directors and of the Bekaert Group Executive in early 2006 on the subject of transactions with companies of the Group. The findings of that survey are discussed in the Financial Review (Note 6.3) of this annual report.

Market abuse

As soon as the expected new legislation is published, the Board of Directors will promulgate the Bekaert Code on Insider Dealing.

Shares and shareholders

Capital and shares

A total of 233 040 subscription rights were exercised in 2005 under the SOP1 1999-2004 employee stock option plan, resulting in the issue of 233 040 new NV Bekaert SA shares and VVPR strips, and an increase of the issued capital by € 1 900 000 and of the share premium by € 9 021 660.

Bekaert purchased a total of 585 000 own shares in 2005, of which 576 550 were cancelled. The remaining 8 450 shares were delivered to the individuals who had exercised their options under the SOP2 stock option plan.

As a result of those movements, the number of issued shares decreased by 343 510 and the number of VVPR strips increased by 233 040.

NV Bekaert SA's issued share capital now amounts to € 172 900 000, represented by 21 530 195 shares without par value.

On 16 September 2005, the Board of Directors approved a new SOP 2005-2009 stock option plan, under which a maximum of 850 000 subscription rights may be issued during the period to the members of the Bekaert Group Executive, senior management and senior executive personnel. An initial offer of 98 100 subscription rights was made on 22 December 2005. The grant of the accepted subscription rights took place on 20 February 2006. Each subscription right is convertible into one newly issued NV Bekaert SA share with VVPR strip at an exercise price of € 71.39.

An offer of 28 000 options was made on 22 December 2005 under SOP2. The grant of the accepted options took place on 20 February 2006. Each option is convertible into one existing NV Bekaert SA share with VVPR strip at an exercise price of € 71.39. A total of 52 920 options had been granted as of 31 December 2005. Detailed information is given in the Financial Review (Note 5.12) of this annual report.

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

Principal shareholders

No declarations pursuant to the Act of 2 March 1989 of interests in the securities representing the capital of NV Bekaert SA were received since the publication of the 2004 annual report. An overview of the most recent declarations can be found in the Financial Review (Statement of capital) of this annual report.

General Meeting of Shareholders

A total of 118 shareholders were present in person or by proxy at the Ordinary General Meeting on 11 May 2005, representing a total of 7 030 125 shares or 32.14% of the total number of issued shares. Also present were five holders of subscription rights, representing a total of 3 125 subscription rights or 0.62% of the total number of issued subscription rights.

The meeting approved the financial statements and profit appropriation for 2004 and discharged the Directors and the Statutory Auditor of responsibility. Mr Gary J. Allen and Baron Georges Jacobs were reappointed as independent directors for terms expiring at the close of the Ordinary General Meetings in 2008 and 2007, respectively. The annual remuneration of the members of the Board of Directors for 2005 was maintained at € 52 058 per person, of which € 37 184 was fixed and € 14 874 was variable based on attendance at six meetings. The remuneration of the Statutory Auditor for 2005 was set at € 78 000. Finally, the meeting discussed the position of the Board of Directors on the various provisions of the Corporate Governance Code.

An Extraordinary General Meeting, also held on 11 May 2005, renewed the Board's authority to repurchase the company's own shares for a period of eighteen months, and approved the merger through absorption by NV Bekaert SA of the public limited companies Immobiliën Munkendoorn and Imaware.

Dividend

The Ordinary General Meeting of Shareholders of 11 May 2005 resolved to distribute a gross dividend of € 2.00 per share for the 2004 financial year (i.e. an amount of € 1.875, exceptionally increased by € 0.125 on the occasion of the company's 125th anniversary). The net dividend therefore amounted to € 1.50 per share and € 1.70 per share with VVPR strip.