



Bekaert is also indispensable in the kitchen, applying its technology not just to wire for safety guards, but also for shelving, storage, fryer baskets, bottle brushes and many other essential items.



Corporate governance

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

The Bekaert Corporate Governance Charter is available at www.bekaert.com. The company added the Bekaert Insider Dealing Code to the Charter in November 2006.

In accordance with the Belgian Corporate Governance Code, the relevant events of the 2006 financial year are discussed below.

Board of Directors

Composition

The Board of Directors consists of fifteen members, eight of whom are nominated by 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. Mr. Gary J. Allen, Dr. Pol Bamelis and Baron Georges Jacobs have been members of the Board of Directors since 1987, 1995 and 1996, respectively. The experience of the company's 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	2009	NV Bekaert SA	7	1
Executive Director Bert De Graeve	2006	2009	NV Bekaert SA	4	1
Members nominated by the principal shareholders					
Baron Leon Bekaert	1994	2009	Director of companies	7	1
Roger Dalle	1998	2007	Director of companies	7	2
Count Charles de Liedekerke	1997	2009	Director of companies	7	1
François de Visscher	1992	2007	President, de Visscher & Co. LLC (United States)	6	1
Hubert Jacobs van Merlen	2003	2009	President & CEO, IEE SA (Luxembourg)	7	1
Maxime Jadot	1994	2009	President of the Directoire, Fortis Banque France	7	1
Bernard van de Walle de Ghelcke	2004	2007	Partner, Linklaters (Belgium)	7	1
Baudouin Velge	1998	2007	CEO, FEDIS (Belgium)	7	1
Independent Directors					
Gary J. Allen	1987	2008	Director of The London Stock Exchange plc (United Kingdom)	5	0
Dr. Pol Bamelis	1995	2007	Director of companies	7	1
Sir Anthony Galsworthy	2004	2007	Advisor to Standard Chartered Bank	7	1
Baron Georges Jacobs	1996	2007	Chairman of the Board, UCB and Delhaize Group (Belgium)	7	1
Other Members					
Julien De Wilde	2002	2009	Director of companies	7	1

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

Activity report

The Board met on nine occasions in 2006. Seven were regular meetings, with virtually full attendance (cf. table above). Two extraordinary meetings were held. The first, held in the presence of a notary public, was to issue subscription rights under the SOP 2005-2009 stock option plan. The second was dedicated to long term strategy. One of the regular meetings took place in Arkansas, United States, where Bekaert operates two production plants.

In addition to its statutory powers and powers under the Articles of Association, the Board of Directors also considered the following matters, among others, in 2006:

- the 2006 budget;
- major investments and acquisitions;
- the repositioning of the advanced materials and advanced coatings activities;
- the buy-back of shares;
- the drafting of the Bekaert Insider Dealing Code;
- the long term strategy;
- the three-year plans;
- the human resources strategy.

Remuneration

Information on the remuneration of the members of the Board of Directors is given in the Financial Review (Note 6.6) in this annual report.

Committees of the Board of Directors

Audit and Finance Committee

The Audit and Finance Committee has four 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 three directors, one of whom is independent. 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.

The Chief Executive Officer and the Chief Financial Officer are no members of the Committee, but are invited to attend its meetings. This arrangement safeguards the essential dialog between the Board of Directors and executive management.

The Committee met three times in 2006. The main items on the agenda included:

- the restructuring of the debt position;
- the activities of the Internal Audit Department;
- the procedure for the appointment of the Statutory Auditor for the period 2007-2009.

Name	Expiry of current term	Number of meetings attended
Baron Buysse	2009	3
François de Visscher	2007	3
Baudouin Velge	2007	2
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. 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 three times in 2006. The main items on the agenda included:

- the appointment of a new Chief Financial Officer;
- the review of the bonus system for executive management;
- the extension of the SOP 2005-2009 stock option plan to employees abroad.

Name	Expiry of current term	Number of meetings attended
Baron Buysse	2009	3
Roger Dalle	2007	3
Maxime Jadot	2009	3
Gary J. Allen	2008	3

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.

The Committee met five times in 2006. The main items on the agenda were the long-term strategy, including the implications of the company's changing industrial environment, and the repositioning of the advanced materials and advanced coatings activities.

Name	Expiry of current term	Number of meetings attended
Baron Buysse	2009	5
Bert De Graeve	2009	4
Baron Leon Bekaert	2009	5
Count Charles de Liedekerke	2009	5
Maxime Jadot	2009	5
Dr. Pol Bamelis	2007	5
Sir Anthony Galsworthy	2007	- ¹

¹ Appointed on 9 November 2006 to succeed Dr. Pol Bamelis who retires at the General Meeting of Shareholders of 9 May 2007.

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, for finance and administration, and for technology.

Name	Position	Appointed
Bert De Graeve	Chief Executive Officer	2006
Bruno Humblet	Chief Financial Officer	2006
Dominique Neerinck	Specialized films Chief Technology Officer Industrial coatings	2006
Marc Vandecasteele	Advanced wire products / Steel cord	1998
Henri-Jean Velge	Advanced wire products / Wire Advanced materials	1998

Remuneration

Information on the remuneration of the members of the Bekaert Group Executive and of senior management is given in the Financial Review (Note 6.6) 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. Two such conflicts of interests arose in 2006:

Excerpt from the minutes of the meeting of 15 March 2006

Report of the Nomination and Remuneration Committee meeting of 14 March 2006

As the agenda calls for the discussion on the remuneration of the CEO, the Chairman requests Mr Julien De Wilde to leave the room.

- Bonus CEO 2005 – evaluation of 2005 KPIs

On the recommendation of the Nomination and Remuneration Committee, the Board approves the proposed evaluation of the 2005 KPIs for the CEO and agrees with the proposed 2005 bonus, in accordance with the level of achievement of the objectives.

- Remuneration 2006 - CEO

The Board approves the proposed remuneration within the existing contractual framework taking into account the fact that the CEO is being succeeded at the upcoming General Meeting of Shareholders.

The remuneration consists of:

- the payment of an amount of € 400 000 in a deferred payment scheme;*
- the payment of € 498 985 as fixed remuneration by the company for his 2006 service as CEO; he will receive pro rata temporis Board fees from affiliates where he had remunerated mandates;*
- the grant of 2 000 additional options under the SOP2 stock option plan;*
- as from 10 May 2006 on and subject to the renewal of his term of office as Director by the Annual General Meeting of Shareholders, he will receive normal Director fees.*

Excerpt from the minutes of the meeting of 15 December 2006

Report of the Nomination and Remuneration Committee meeting of 14 December 2006

Grants of stock options

As the Board has to consider the Committee's recommendation regarding the grant of stock options to the CEO, the Chairman requests Mr De Graeve to leave the meeting room.

The Board of Directors agrees to make an offer of options on 21 December 2006 in accordance with the list submitted to the Nomination and Remuneration Committee meeting of 14 December 2006, and to offer 7 500 options to the CEO.

All options of the 21 December 2006 offer are for new shares pursuant to the SOP 2005-2009 stock option plan, except that those for the self-employed Bekaert Group Executive members are for existing shares pursuant to the SOP2 stock option plan.

Other transactions with Directors and Executive Management

A questionnaire was circulated to the members of the Board of Directors, the Bekaert Group Executive and senior management in late 2006 on the subject of transactions with companies of the Group. The findings of that survey are discussed in the Financial Review (Note 6.6) of this annual report.

Market abuse

In accordance with provision 3.7 of the Belgian Corporate Governance Code, the Board of Directors has promulgated the Bekaert Code on Insider Dealing, which is included in its entirety in the Bekaert Corporate Governance Charter as Appendix 4.

Shares and shareholders

Capital and shares

A total of 44 350 subscription rights were exercised in 2006 under the SOP1 1999-2004 employee stock option plan, resulting in the issue of 44 350 new NV Bekaert SA shares and VVPR strips, and an increase of the issued capital by € 400 000 and of the share premium by € 1 761 745.

Bekaert purchased a total of 636 656 own shares in 2006:

- 8 890 shares were delivered to the individuals who had exercised their options under the SOP2 stock option plan;
- 70 766 shares were cancelled to compensate the potential dilution that may result from the future exercise of 70 766 subscription rights (cf. below); and
- 557 000 shares were cancelled in the framework of a share buy-back program: this reduction of the number of shares is aimed at further optimizing the debt structure of Bekaert.

As a result of those movements, the number of issued shares decreased by 583 416 and the number of VVPR strips increased by 44 350.

NV Bekaert SA's issued share capital amounts to € 173 300 000, represented by 20 946 779 shares without par value. The number of VVPR strips is 3 852 135.

The total number of issued subscription rights under the SOP1 and SOP 2005-2009 stock option plans is 296 839.

In 2006 the authorized capital was used for the first time to issue subscription rights under the SOP 2005-2009 stock option plan: 70 766 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 € 71.39. A second offer of 95 100 subscription rights was made on 21 December 2006. Each subscription right of the second series is convertible into one newly issued NV Bekaert SA share with VVPR strip at an exercise price of € 90.52.

A total of 36 500 options were granted under the SOP2 stock option plan in 2006: 28 000 of those are convertible into existing NV Bekaert SA shares with VVPR strip at an exercise price of € 71.39 per share, 2 000 at an exercise price of € 85.85, and the remaining 6 500 at an exercise price of € 74.10. A new offer of 12 500 options was made on 21 December 2006. Each option of this series is convertible into one existing NV Bekaert SA share with VVPR strip at an exercise price of € 90.52. A total of 89 420 options had been granted under the SOP2 stock option plan as of 31 December 2006.

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 5.11) of this annual report.

Principal shareholders

Nine declarations of interests in the securities representing the capital of NV Bekaert SA have been received pursuant to the Act of 2 March 1989 since the publication of the 2005 annual report. An overview of the most recent declarations can be found in the Financial Review (Statement of capital) in this annual report.

General Meeting of Shareholders

A total of 87 shareholders were present in person or by proxy at the Ordinary General Meeting on 10 May 2006, representing a total of 7 048 533 shares or 32.74% of the total number of issued shares. Also present were four holders of subscription rights, representing a total of 5 710 subscription rights or 1.67% of the total number of issued subscription rights.

The meeting approved the financial statements and profit appropriation for 2005 and discharged the Directors and the Statutory Auditor of responsibility. The number of Directors was increased from fourteen to fifteen. Baron Leon Bekaert, Baron Buysse, Count Charles de Liedekerke, and Messrs Julien De Wilde, Hubert Jacobs van Merlen and Maxime Jadot were reappointed as Directors for a term expiring at the close of the Ordinary General Meeting in 2009. Mr Bert De Graeve was appointed as Director for a term expiring at the close of the Ordinary General Meeting in 2009. The remuneration of the members of the Board of Directors for 2006 was determined, as well as the remuneration of the Statutory Auditor for the control of the annual accounts and of the consolidated annual accounts for the financial year 2005. Finally, the meeting ratified the SOP 2005-2009 stock option plan.

An Extraordinary General Meeting, also held on 10 May 2006, renewed the Board's authority to repurchase the company's own shares for a period of eighteen months, and for a period of three years to prevent a threatened serious harm to the company (e.g. a public take-over bid). Also, the authority of the Board of Directors to use the authorized capital in the case of a public take-over bid was extended for three years. An approval clause was included in the Articles of Association in the case of a transfer of securities leading to a change of control. Finally, the statutory requirements to notify and disclose large shareholdings were declared by the Articles of Association to apply to thresholds of three per cent and of each multiple thereof.

A Special General Meeting held on 13 April 2006 granted rights to third parties in accordance with Article 556 of the Companies Code.

Dividend

The Ordinary General Meeting of Shareholders of 10 May 2006 resolved to distribute a gross dividend of € 3.00 per share for the 2005 financial year (i.e. a basic amount of € 2.00, exceptionally increased by an amount of € 1.00 on account of the capital gain realized on the sale of Bekaert Fencing). The net dividend therefore amounted to € 2.25 per share and € 2.55 per share with VVPR strip.