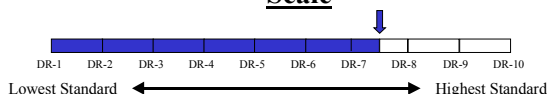


**GIMV**  
Belgium

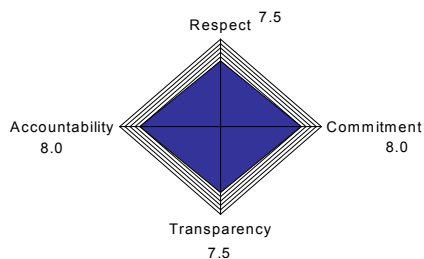
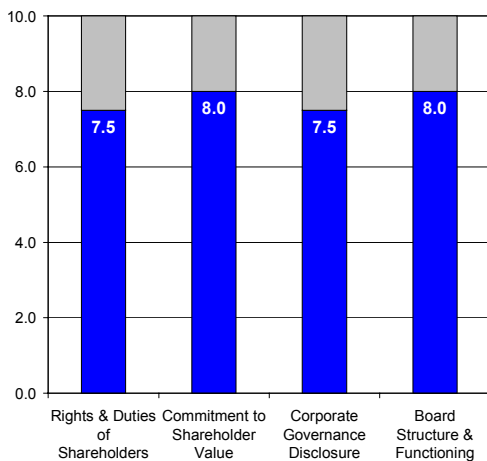
**Rating**



**Scale**



**Scores for Categories**



**Summary**

Deminor Rating assigns a DR 7.5 to GIMV. This rating reflects the very good overall performance of the company regarding its current corporate governance structures and functioning.

According to Deminor Rating's comparative analysis GIMV is a leading corporate governance actor in Belgium and clearly exceeds the average performance of the largest listed companies in Europe as regards its commitment to shareholder value.

**Methodology**

Deminor Rating was appointed by the board of GIMV to assess its current corporate governance structures and workings. Deminor Rating conducts its analysis from a position of independence and objectivity. The rating is based on public and non-public information provided by GIMV, as well as on "one-on-one" interviews with members of the board of directors and executive committee.

The Corporate Governance Rating is pursued with reference to Deminor Rating's standards (hereafter, the "Standard"). The Standard is established according to a methodology based on internationally recognised corporate governance standards, developed and continuously updated with major institutional investors who act as opinion leaders in the field of corporate governance. The Standard places Deminor Rating in a unique position to assess the corporate governance practices of companies and ensures that the services conducted by Deminor Rating are closely tied to market expectations.

The Rating & Investor Report is based on current information provided to Deminor Rating until 1 September 2003. The Rating & Investor Report may be changed, suspended or withdrawn as a result of changes in or unavailability of such information.

**Deminor Rating Contact**

Jean-Nicolas Caprasse  
+32 2 674 71 10  
jean-nicolas.caprasse@deminor.com  
www.deminor-rating.com

**Company Information**

**GIMV nv**  
Karel Oomstraat 37  
B-2018 Antwerp  
Belgium



**Chairman**  
Prof. Herman Daems

**Corporate Secretary**  
Mr Dirk Beusaert

**Group CEO**  
Mr Dirk Boogmans

**Investor Relations**  
Mr Frank De Leenheer  
+32 3 290 22 18

**Chief Financial Officer**  
Mr Marc Vercruysse

frankdl@gimv.be  
www.gimv.com

## Executive Summary

### 1. Rights & Duties of Shareholders

**For this category, GIMV scores 7.5 out of 10.**

GIMV has issued one type of ordinary share granting equal rights to all shareholders. It adheres fully to the 'one share – one vote – one dividend' principle.

GIMV meets almost all investors' expectations as far as the resolutions proposed to the general meeting are concerned. There are two combined resolutions: 'directors elections' and the 'approval of the annual accounts and dividend allocation'.

By requiring a 20% threshold for convening a general meeting or putting items on the agenda, it is virtually impossible—given the current free float of 30%—to influence the agenda of the shareholders' meeting. Shareholders can at all times ask written or oral (at the general meeting) questions to the board of directors.

GIMV meets most investor expectations as far as voting procedures and methods are concerned. All votes are counted at the general meeting. There are no proxy voting limitations. Voting by mail is allowed. In 2003 the English version of the annual report and the agenda were not available on or before the respective annual general meeting.

GIMV has an extensive possibility to increase the share capital whilst excluding pre-emptive rights. The share repurchase is limited to 10% of the issued share capital. Both the share repurchase and the share capital authorisation can be used during a takeover situation.

### 2. Commitment to Shareholder Value

**For this category, GIMV scores 8.0 out of 10.**

There is no indication that the interests of GIMV's significant stakeholders should not be in line with the long term interest of all shareholders. With the exception of VPM (Vlaamse Participatie Maatschappij) as the majority shareholder, there is no stakeholder that could potentially exercise a decisive influence on the company's operations.

GIMV has installed fixed remuneration and an attendance fee for its non-executive directors. The executive committee members receive a base salary, a short-term bonus and are subject to various long-term incentive schemes. The fixed salary is benchmarked and short term as well as long term incentives are based on objective measures, which are actively supervised by the remuneration committee.

### 3. Disclosure on Corporate Governance

**For this category, GIMV scores 7.5 out of 10.**

It is clearly visible from GIMV's public documents—especially the annual report—that strong efforts are made to commit to good corporate governance standards and to convey this to the company's stakeholders.

Both capital and shareholder structure are disclosed in the company's documents and website.

GIMV makes intensive efforts to provide all relevant information to the investment community. However, it needs to continue to improve its financial reporting and availability of shareholder relevant documents in English.

As for stakeholder information, the company publishes information on auditors, employees and ethical values. There is no environmental agenda discernible.

GIMV gives a relatively good overview, without getting into the individual details of the non-executive remuneration policy. The remuneration policy for executive committee members is disclosed on a general basis, leaving room for details as regards the exit bonus plan, the individual amounts, the performance targets of the bonus, and the timing conditions of the long term incentive plans.

GIMV's disclosure on its board, executive committee and committees gives insight into their composition, classification and functioning with some more personal details available for the board of directors and executive committee members.

### 4. Board Structure and Functioning

**For this category, GIMV scores 8 out of 10.**

All members of the board of directors are elected by the shareholders through a selection process that is dominated by the majority shareholder. The members of the board are subject to an age limit of 65 and are elected with different terms of mandate.

The board of directors reflects a sound composition of members from a diverse academic and professional background. 4 independent voices counterbalance to some extent the powerful position of the chairman and the remaining non-executive directors, of whom 62% were proposed by the majority shareholder.

The board of directors of GIMV has given credible examination powers to the audit committee, which is composed of non-executive directors (NEDs) only with one independent member and is active in pursuing its work responsibly.

Deminor Rating's analysis revealed a clear involvement of the board of directors in the strategy-making process. Close control and supervision of the executive committee, particularly through the chairman of the board, ensures alignment of company strategy to market needs and swift board involvement whenever need be.

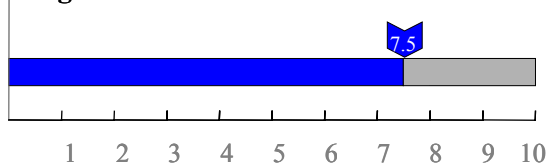
The nomination committee is composed of 5 NEDs of whom 2 are independent. It is in charge of proposing 5 out of the 13 members to the general meeting. Evaluation of board members and the CEO takes place informally with the chairman, who also serves in the nomination committee.

According to Deminor Rating's analysis GIMV operates via a clear and transparent governance structure with the chairman playing a key role in the board's responsibilities. Conflicts of interests have been well handled and made transparent.

\* \* \* \* \*

# 1 Rights & Duties of Shareholders

## Rights & Duties of Shareholders



### 1.1 One Share – One Vote – One Dividend Principle

**GIMV has issued one type of ordinary share granting equal rights to all shareholders. It adheres fully to the ‘one share – one vote – one dividend’ principle.**

The company has installed one type of share with equal voting and dividend rights. No multiple voting rights or non-voting shares have been created or sold on the market.

There are no other systems set up that could further distort the ‘one share – one vote’ principle: no voting right ceilings, no ownership ceilings, no golden shares or priority shares granting specific rights to the holders thereof.

#### GIMV Share capital<sup>1</sup>

Type	Par value (€)	Votes per share	Issued
Ordinary share	9.49	1	23,176,005

#### Governance features

- Full adherence to the ‘one share – one vote – one dividend’ principle
- No non-voting shares
- No multiple voting rights
- No golden or priority shares
- No voting right or ownership ceilings
- No dividend distortions among shareholders

### 1.2 Voting Issues

**GIMV meets almost all investors’ expectations as far as the resolutions proposed to the general meeting are concerned.**

GIMV follows the Belgian legal framework, which awards a wide range of prerogatives to the general meeting. All company relevant items are subject to shareholders’ approval: approval of the annual and consolidated accounts, dividend allocation, board election, yearly discharge of the board members, board fees (whenever amended), long term incentive plans, appointment of the auditors including their remuneration, yearly discharge of the auditors, capital decisions such as share repurchase and authorised capital and amendments of the articles of association. Executive remuneration is not approved by shareholders. There is no

<sup>1</sup> These figures are based on data as of 1 July 2003.

remuneration report that is subject to shareholders’ approval.

The information that is available to shareholders in order to make an informed vote are the following: the Dutch version of the agenda (with the full wordings of the proposals) and the annual report are available 15 days before the meeting. An English version of the key figures of the annual accounts is available 23 days ahead of the general meeting. No CVs are made available to shareholders before the election of directors. In the ‘directors’ election’ resolution all directors are to be voted upon in one voting item as is also the case for the ‘approval of the accounts’ agenda item which is combined with the company’s ‘dividend allocation’.

GIMV’s shareholders have the exclusive authority to elect and dismiss members of the board of directors. However, if VPM, currently holding 70% of the shares, would lower its participation to a minimum of 25%, it would still have the right following the articles of association to exclusively propose the chairman and 5 other board members out of a total 13 member board. VPM would thus be granted a disproportionate right in the election process of directors, which could only be amended with its own consent due to its blocking minority of 25%.

#### Governance features

- All directors are to be elected by the shareholders
- Board remuneration and long term incentive plans are subject to shareholders’ approval
- Auditors are elected every three years by the shareholders and are subject to a yearly discharge
- Information is available 15 days before the general meeting, mostly in Dutch
- Some agenda items such as the election of each individual director are combined into one resolution
- No detailed information on directors in the event of an election is available

### 1.3 Shareholder Proposal

**By requiring a 20% threshold for convening a general meeting or putting items on the agenda, it is virtually impossible given the current free float of 30% to influence the agenda of the shareholders’ meeting.**

The articles of association set the threshold for convening an extraordinary shareholders’ meeting or requesting the insertion of an agenda item for an already convened general meeting to 20% of the votes. This threshold is below European average.<sup>2</sup>

<sup>2</sup> The European average refers to the average of all companies of the 9 largest European stock markets listed on the FTSE Eurotop 300 index and analysed by Deminor Rating in 2002.

Due to the legal framework in Belgium, shareholders do not have the possibility to file counterproposals.

Shareholders can at all times ask written questions (before the general meeting) and oral questions (at the general meeting) to the board of directors.

Governance features
<ul style="list-style-type: none"> <li>▪ High holding requirement (20%) to call an extraordinary general meeting or to add resolutions to the agenda</li> <li>▪ Current free float makes it virtually impossible to call an extraordinary general meeting or to add agenda items</li> <li>▪ Shareholders have the possibility to ask questions to the board, either in writing or in oral form</li> </ul>

#### 1.4 Voting Procedures & Methods

**GIMV meets most investor expectations as far as voting procedures and methods are concerned.**

All shareholders may vote at the general meeting, either by attending or by appointing any proxy. GIMV has created the possibility in its articles of association to vote by mail. To this end the company has issued a specific form sent to all registered shareholders which they can use as a proxy or as a voting form that can be sent to the company by mail.

Holders of bearer shares have also the possibility to vote by mail and to appoint a proxy of their choice. However, they would need to prepare their own form to do so.

Shareholders can attend without access limitations (i.e. holding requirement) and all votes cast by shareholders or proxies are counted.

Technical requirements (share blocking and submission of proxy) for voting per proxy or attending the general meeting need to be fulfilled 3 working days prior to the meeting. As GIMV must provide its shareholders with a full agenda 15 days prior to the general meeting, investors have in fact about 12 calendar days to perform an analysis on the proposed resolutions and to fulfil the registration requirements. This performance lies under the European average of 21 days. Following the recent change in law in Belgium, the company has created the possibility of a record date as the replacement for blocking the shares, which is excellent practice if it is effectively carried out as of the next general meeting. A Dutch version of the annual report is available around 15 calendar days before the general meeting. The English version of the agenda and the annual report were not available at the time of the general meeting.

Governance features
<ul style="list-style-type: none"> <li>▪ Proxy voting is possible and anyone can be appointed as proxy without restriction</li> <li>▪ Voting by mail is possible</li> <li>▪ The company has created a specific form for registered shareholders that can be used as proxy form or voting form to be sent by mail</li> <li>▪ Following the change of law in Belgium, the company has installed the possibility of a record date</li> <li>▪ An English version of the annual report and the agenda are not available on or before the general meeting</li> <li>▪ The time available to cast an informed vote (12 days) lies under the European average (21 days)</li> </ul>

#### 1.5 Equitable Treatment of Shareholders

**GIMV has an extensive possibility to increase the share capital whilst excluding pre-emptive rights.**

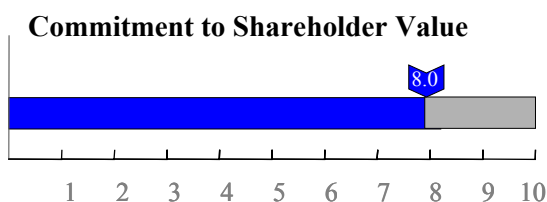
At the last annual general meeting, GIMV shareholders authorised the board of directors to increase the company's share capital by up to 100% of the issued share capital, whereby subscription rights can be waived. This authorisation is in force for 3 years and can explicitly be used in the event of a hostile takeover, in which case it is legally limited to 10% of the issued share capital.

A share repurchase authorisation has been given at the same general meeting. It lasts for 18 months for up to 10% of the share capital with a repurchase price of maximum 10% above market price. In case of a serious and imminent danger, the board has a similar authorisation for 3 years.

Governance features
<ul style="list-style-type: none"> <li>▪ Extensive authorised capital (up to 100% of issued share capital) with the possibility to exclude pre-emptive rights</li> <li>▪ Acceptable level of share repurchase (10%)</li> <li>▪ Both authorisations can be used during a takeover</li> </ul>

\* \* \* \* \*

## 2 Commitment to Shareholder Value



### 2.1 Influence of Stakeholders

**There is no indication that the interests of GIMV's significant stakeholders should not be in line with the long term interest of all shareholders. With the exception of VPM as the majority shareholder, there is no stakeholder that could potentially exercise a decisive influence on the company's operations.**

Taking the majority shareholder (VPM) into account, GIMV has a remaining free float of about 30%. This Flemish government thus can influence the workings of the company at two levels:

#### Shareholders' meeting :

Due to its absolute majority, VPM controls the decisions taken at the general meeting of shareholders. Given the low level of the free float, minority shareholders will find it very difficult to act concertedly against potential abuse of the majority (by convening a general meeting, putting items on the agenda, minority action; see also section 1.3).

The following observations may however alleviate the risk assessment inherent in this constellation:

- VPM has expressed in the past its intent of potentially lowering its participation to a minimum of 25% of the share capital, which would still constitute a blocking minority.
- At the latest general meeting, the dividend was cut in half, due to the results of the company in bad market circumstances, against which no ill-will was expressed by VPM thereby reflecting its trust vis-à-vis the proper business judgement of the board.
- No minority action has been undertaken against the company or its main shareholder for the past five years.

#### Board of Directors :

VPM dominates the nomination process of the directors of the company, as it has the exclusive right to propose 8 out of the 13 board members, including the chairman and the two vice-chairmen to the board. The nomination committee, which includes 2 independent directors next to the 3 VPM representatives, has the exclusive authority to propose the remaining 5 members of the board. This balances to some degree the VPM controlled nomination process.

The following observations may however support VPM's benign intentions in the nomination process vis-à-vis the company as a whole and curb the risk of abuse of its rights:

- Recent as well as previous national and regional elections have not triggered any change on the board of directors.
- By law the company is obliged to appoint at least three independent directors.
- From the interviews with board members as well as from the minutes of the board meetings, it became evident that so far independent directors never opposed as a whole the majority opinion on the board.
- There is a clear and stringent conflict of interest procedure that has already been successfully applied by the company

The relationship between GIMV and Petercam, a potential financial services supplier, could not be identified as privileged, even though Mr Marc Ooms, Managing Director of Petercam, is a NED on the board of directors of GIMV. Petercam, however, is one of many suppliers with which GIMV interacts commercially. Moreover, a stringent procedure is in place that intervenes if a conflict of interest situation arises. Also the fees paid since 2001 until the date of the present analysis are immaterial in their amount.

The 3-year appointment of the company's independent auditors and the determination of their remuneration falls under the responsibility of the general meeting. They are subject to a yearly discharge to be granted by the shareholders. The ratio of fees received for non-audit services to those paid for external audit services lies under 100% which is acceptable under current market standards. Both auditors have been employed by the company for more than 10 years and there has not been a rotation of the audit partners for at least 6 years.

#### **Non-audit fees versus audit fees at GIMV in EUR**

	Ernst & Young	Van Passel, Mazars & Guerdard
Audit Fees	45,860	45,860
Non-audit fees	39,758	41,808
<b>TOTAL</b>	<b>85,618</b>	<b>87,668</b>
Non-audit / Audit fee ratio	87%	91%

The company has expressed its commitment to long term shareholder value through its annual report.

#### **Governance Features**

- Free float is limited to 30%, but can be increased in the future (maximum to 75%)
- 8 board members, including the chairman and the two vice-chairmen on the board of directors, are proposed by VPM
- 5 board members are proposed by a five-member nomination committee that includes 2 independent directors
- Conflict of interest rules are clearly outlined and applied for all board members
- Non-audit fees paid to auditors do not exceed the audit fees
- No rotation of audit partners

## 2.2 Board & Management Remuneration

**GIMV has installed a fixed component and an attendance fee for its non-executive directors. The executive committee members receive a base salary, a short-term bonus and are subject to various long-term incentive schemes. The fixed salary is benchmarked and short term as well as long term incentives are based on objective measures, which are actively supervised by the remuneration committee.**

### 2.3.1. Remuneration of Board members

The non-executive director's remuneration policy includes

- a fixed component,
- an attendance fee

The salary of the non-executive directors (NEDs), including the salary of the chairman is adopted at the general meeting of shareholders, whereby a general amount that is to be divided amongst the directors is disclosed for approval. This aggregate amount is determined by the remuneration committee of the board. The total of the directors' salaries amounted to EUR 709,779 for the year 2002.

In addition to the salary, board members receive an attendance fee for board meetings to which they attend. The fee is set at an acceptable level of EUR 613.73. Total attendance fees granted for the year 2002 amounted to EUR 96,060.

Non-executive directors do not participate to any variable remuneration: they do not take part in the bonus system, nor in the stock option plans as recommended by Deminor Rating.

There are no holding requirements in shares for non-executive board members which is seen as a good way to link their interests to the long term interests of the shareholders – under the condition that such holding would be substantial and subject to a holding requirement.

There is no further remuneration granted for committee membership.

Governance Features
<ul style="list-style-type: none"> <li>▪ Non-executive directors are remunerated by a fixed salary that is approved – in aggregate – by the shareholders</li> <li>▪ In order to link the remuneration with the time vested in the company, directors also receive an attendance fee</li> <li>▪ Non-executive directors do not participate in any performance related payment</li> <li>▪ There is no holding requirement in shares for directors</li> </ul>

### 2.3.2. Remuneration of top management

The remuneration of the executive members of GIMV is composed of the following elements:

- Annual base salary
- Short term incentive (discretionary bonus)
- Long term incentive (stock options, exit bonus and carried interest in investments)

- Other benefits (loans)

At GIMV, the board of directors upon proposal of the remuneration committee determines the amount of executive compensation.

#### Base Salary

The level of fixed fees is the object of a regular audit by the remuneration committee, which is composed of a majority of non-independent non-executive directors.

In line with best practice executives are not involved in fixing their own remuneration. The level of the fixed salary has been set on the basis of benchmarks with international market practice for which external advisors have been consulted.

The total salary of the executive committee members amounted to EUR 1,962,435 for the year 2002.

#### Short Term Incentives – Bonus

The level of the bonus is dependent upon the development of the financial results of GIMV. In principle the short term bonus is dependent on the net result of GIMV.

Only executives and full-time employed personnel can be recipients of bonus payments. There is no cap on the bonus (except on the maximum amount of 1% of net profits). The percentage is set on a discretionary basis and its change may effectively function as some sort of a controlling measure (or cap). The granting of the bonus is based on a personal evaluation. Proposals are made by the executive committee and approved by the board of directors on advice by the remuneration committee. The executive committee members' bonuses, including that of the CEO, are determined by the remuneration committee. The bonus for the executive committee has been divided equally amongst its members, including the CEO, for the year 2001. The bonus granted to the executive committee members amounted to EUR 1,680,997.

As the year 2002 ended in a negative result, no short term bonuses were granted. The system of the cash bonus meets investors' expectations as it is based on an objective calculation and is directly linked to the company's results.

#### Long Term Incentive - Warrant plan

The executive directors have received stock options, to be exercised at a price equal to the market price at the time of grant. The shares distributed through the exercise of stock options result from an increase of the share capital through warrants. Dilution is limited to about 1%.

The exercise price for the grant vesting in 2002 (EUR 76.92) is currently far from being reached due to unfavourable market circumstances (EUR 23.75).<sup>3</sup> The company follows best practice by not re-pricing its stock option plan. Members of the executive committee have a total of 89,350 warrants outstanding of which 10,600 are currently exercisable.

<sup>3</sup> Share price on 1 september 2003.

The plan has very good timing conditions (a vesting period of 3 years, a maturity of 10 years but no holding requirement). Granting conditions give the possibility of setting an individual performance component based on pre-determined targets by the remuneration committee.

#### Warrants issued to company personnel

(including executive committee members)

Year	Maximum to be granted	Granted	Exercise price	Vest	Mature
1998	43,800	42,200	76.92	2002	2008
1999	67,000	54,850	62.31	2003	2009
2000	182,450	174,650	69.00	2004	2010
2000		5,700	74.01		

#### Long Term Incentive - Exit Bonus

On investments carried out by the company until 2001 the system of an exit bonus is applied for all personnel working at the company in April 2001. The bonus granted is based on an overall bonus budget that is calculated as a percentage (which varies from investment to investment depending on the different business units and decided by the remuneration committee) of the net surplus value of the investment after surpassing a minimum hurdle. The total bonus budget, which is subject to an annual calculation is capped at 50% of the salary cost of the personnel.

Individual bonuses are granted following mainly two pre-established criteria (from which the remuneration committee can deviate):

1. the position of the employee, and
2. the number of months he / she is working for the company.

This plan will end in 2005 and does not count for investments done after 2001. The objectives of the plan as well as the performance targets are very clear: employees have a right to share in the 'profits' together with the company. The success of the plan is directly dependent on the surplus value of the investments made and therefore adequately links employee performance to remuneration. At the same time the bonus flowing from the plan is based on objective standards and performance criteria. Due to the overall ceiling on the plan no excessive remuneration can flow out of it.

#### Long Term Incentive - Carried Interests

Investments carried out by the company as of 2001 are subject to the system of carried interests, giving the possibility for employees to share in the company's profits. It is the follow-up plan to the exit bonus system.

Two tranches of stock options have been granted at an exercise price of EUR 6.75. The first tranche (60% of the stock options) is exercisable for a limited period as of 2005 and the second one is exercisable as of 2008. GIMV guarantees to purchase the shares as of the year 2008 at a price that is determined following an objective calculation taking into account the value of the participation held in the various co-investment companies. The purchasing pledge of GIMV for 2008 means that for the first 60% of the stock options there is a vesting period of 3 years and a subsequent holding period of 3 years. The second tranche of stock options is subject to a vesting period of 6 years.

This system is based on good timing conditions (vesting and

holding following market expectations) and objective measurement (price determination is set and the price of the shares is based on performance as well as a pre-determined calculation method). The granting conditions have not been determined in the plan itself. This incentive system needs follow-up schemes, as otherwise incoming personnel having joined GIMV after the grant of the options will not be subject to a long term incentive plan.

#### Other Payments or benefits

Executive committee members have a total amount of EUR 368,140 in outstanding loans in order to finance the tax charges incurred for the warrants received.

The company discloses the pension obligations it has towards the members of the executive committee, which is appreciated by investors.

Other benefits, such as group insurance falls under the salary cost, as disclosed by the company.

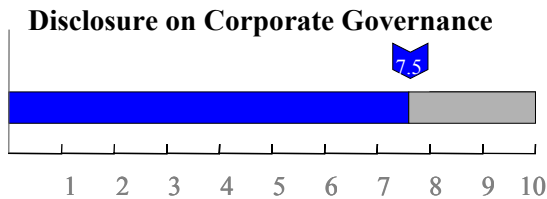
GIMV does not foresee any severance payments for its directors.

#### Governance Features

- Annual salary benchmarked by external consultant
- Executive annual bonus is based on an objective measure flowing from the net profit, whereby individual bonuses are based on an evaluation done by chairman and CEO
- Long term incentives are based on objective measures as well : share price and surplus values of the investments
- Good timing conditions for long term incentives : 3 year vesting period and 10 year maturity for stock options on GIMV shares, investment circle period for other plans
- No remuneration report is submitted to the general meeting
- Clear and active involvement of the remuneration committee in drafting the pay policy

\* \* \* \* \*

## 3 Disclosure on Corporate Governance



### 3.1 Investor Relation Department

**GIMV makes intensive efforts to provide all relevant information to the investment community. However, it needs to continue to improve its financial reporting and availability of shareholder relevant documents in English.**

In 2003 the company did not provide an English version of the annual report in time for the general meeting. Only a Dutch version of the agenda was published in the local newspapers and on the website. The company does not publish the minutes, nor the voting results of the general meeting. On a positive note, GIMV has disclosed an English and Dutch version of its articles of association on its website.

The latest accounts are prepared according to Belgian GAAP. The analysis revealed that GIMV is committed to preparing the transfer of its Belgian GAAP to IAS.

The investor relations department is accessible through the company's website where direct phone number and email address is provided.

The company runs a website featuring information on the company in general, its business structure, subsidiaries with an overview of their investment activities, press articles, team members, presentations and portfolio composition. An investor relations section is also available; this section provides the investor with information on the share (price, net asset value, and general information), financial information (key figures, calendar and portfolio composition), shareholders (structure and analyst coverage), a section on 'events and presentations', which includes a section for downloading the general meeting agenda, a section on FAQ and on corporate governance in general.

Information on the composition of the board with limited information per board members is accessible on the website as well.

#### Governance Features

- No English version of the annual report available at the date of the general meeting
- No English version of the agenda available at the date of the general meeting
- Use of Belgian GAAP with plan to transfer to IAS
- Full contact details of investor relations department with own website section
- Structurally good website which is limited however on board and general meeting information

### 3.2 Corporate Governance Involvement

It is clearly visible from GIMV's public documents—especially the annual report—that strong efforts are made to commit to good corporate governance standards and to convey this to the company's stakeholders.

Although the company does not have a separate document outlining the applied corporate governance principles, the annual report sketches how corporate governance theory is implemented throughout the company in areas such as relationship with the majority shareholder, independent directors as well as shareholder representatives, workings of the board of directors, information flow for directors, conflicts of interest, remuneration for executives and non-executive directors, board committees and company audit.

Currently no reference is made to any domestic or international code of best practice or guideline.

#### Governance Features

- Clear commitment to adopt good corporate governance
- Excellent corporate governance reporting
- Corporate governance section in the annual report and aspects of good governance dispersed throughout website
- No reference to code of best practice

### 3.3 Capital & Shareholder Structure

**Both capital and shareholder structure are disclosed in the company's documents and website.**

GIMV is very clear about the important holdings and makes clear that there are no other shareholders holding more than 3% of the share capital. It outlines adequately the intention and relation with VPM, the majority shareholder holding 70%.

No further breakdown information of the free float (nationality, activities), however, is disclosed. The employee shareholdings or director shareholdings are not published either.

The capital structure, as well as the authorisations to increase the share capital and to repurchase own shares are well described. The possibility to use either of the authorisations during a takeover is also explicitly disclosed in the agenda and the articles of association.

Governance Features	
▪	Full disclosure on the capital structure
▪	Full disclosure of authorisations to increase capital or repurchase own shares including their use during a takeover
▪	Relationship, intention and holding of the majority shareholder adequately published
▪	Exhaustive information on the shareholder structure
▪	No information on the breakdown of the free float

### 3.4 Information on Stakeholders

**As for stakeholder information, the company publishes information on auditors, employees and ethical values. There is no environmental agenda discernible.**

GIMV has a very good level of disclosure practice for the auditors: the name of the company, the audit partners, audit fees as well as non-audit fees and term of appointment are disclosed. The initial appointment date as well as a description of the non-audit services are not published.

#### Disclosure on external auditors at GIMV

	Disclosure
Name of the auditors	x
Name of the company	x
Initial appointment date	-
Amount of fees from audit services	x
Amount of fees from non-audit services	x

x = available - = not available

The company has stated its commitment to social engagement and ethical values in its latest annual report as a criterion for investing in a company. There is, however, no environmental report.

In its 'Human Resources' section in the annual report, GIMV provides detailed information as regards its staff size, the staff's geographical and functional distribution as well as the general overview of their remuneration package.

Governance Features	
▪	Identity of external auditors is disclosed
▪	Audit and non-audit fees are available
▪	The initial appointment date is not disclosed
▪	Commitment to social engagement disclosed
▪	No environmental commitment disclosed
▪	General overview of employees and their remuneration policy

### 3.5 Remuneration & Incentive Schemes

**GIMV gives a relative good overview, without getting into the individual details of the non-executive remuneration policy. The remuneration policy for executive committee members is disclosed on a general basis, leaving some room for details as regards all payment schemes as well as performance targets and the timing conditions.**

Although an individual breakdown of remuneration is not provided, shareholders, who approve the non-executive remuneration at the general meeting, get a good idea of the composition of the remuneration package. The remuneration structure gives an overview of the two pay components as well as the aggregate amount for each of the components. It states that no performance related payment is made.

As for the executive remuneration it is clear that executive committee members benefit from short term components and long term incentives. The company does not provide any individual information.

From the information provided in the annual report, the amounts of the salaries and the short term bonus has been disclosed in aggregate. No indication has been provided as for the basis of the annual bonus.

The company mentions the number of outstanding warrants held by the executive committee members including the number of exercisable warrants as well as the exercise price for the stock option plan. Although mentioned in previous versions of the annual report, no information is provided on maturity or vesting conditions in the latest annual report.

The company gives a brief and general explanation of the system of a second stock option plan that is connected to the co-investment companies without elaborating on exercise prices or overall timing conditions.

The company discloses the pension obligations and loans outstanding for executive committee members.

#### Disclosure on remuneration at GIMV

Information on remuneration	Board of Directors	Executive Committee
Aggregate remuneration	x	x
Fixed remuneration	x	x
Variable remuneration	x	x
Policy for the variable part	x	-
Other remuneration	-	(x) <sup>1</sup>
Chairman/CEO remuneration	-	-
Information on individual pay	-	-

x = available (x) = partially available - = not available

<sup>1</sup>) Group insurance, loans and pension obligations disclosed

Governance Features
<ul style="list-style-type: none"> <li>▪ Good overview of the remuneration policy of the non-executive directors</li> <li>▪ Only aggregate information disclosed for directors and executive committee members</li> <li>▪ No further explanation on the annual bonus of the executive committee members</li> <li>▪ Information in latest annual report on stock options is not complete: no information on maturity or vesting conditions</li> <li>▪ Only the general principle of the stock option plan on the co-investment companies is disclosed.</li> <li>▪ The system of 'carried interests' is not explained in the latest annual report</li> <li>▪ Loans outstanding and pension obligations are published</li> </ul>

Governance Features
<ul style="list-style-type: none"> <li>▪ Clear classification of board members</li> <li>▪ Good level of personal information on board members</li> <li>▪ Excellent overview of the delegation of powers</li> <li>▪ Very good reporting on the workings of the board of directors</li> <li>▪ Good reporting on conflicts of interest</li> <li>▪ Very good level of personal information on executive committee members</li> <li>▪ Good overview of the workings of the executive committee</li> <li>▪ Clear disclosure on committee workings, membership, number of meetings held and workload of the past year</li> <li>▪ No separate report is prepared by the committees for the shareholders</li> </ul>

\* \* \* \* \*

### 3.6 Board & Committees

**GIMV's disclosure on its board, executive committee and committees gives insight into their composition, classification and functioning with some more personal details available for the board of directors and executive committee members.**

#### 3.6.1 Board disclosure

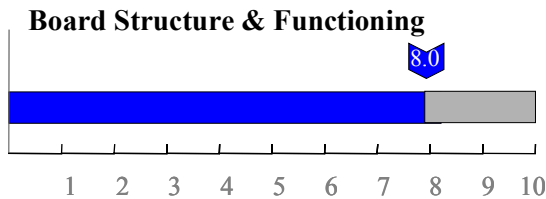
The members of the board of directors of GIMV are adequately classified into majority shareholder representatives (i.e. those proposed by VPM) and independent directors. Their age, initial appointment date and outside functions are disclosed as well. The individual shareholdings of the members are not disclosed. The workings of the board, consisting of an overview of the number of meetings held, the information flow for board meetings, the delegation of powers towards the executive committee, conflicts of interest and the specific rights of the chairman are well described.

Similar information is available for executive committee members with the addition of their academic background.

#### 3.6.2 Committee disclosure

The workings, memberships and chairmanships of the three board committees are adequately described in the annual report. The number of meetings and a general overview of the workload over the past year has been disclosed as well. There is no specific report prepared by the committees for the shareholders.

## 4 Board Structure & Functioning



### 4.1 Election & Composition of the Board

#### 4.1.1 Structural adequacy of Board profile

**All members of the board of directors are elected by the shareholders through a selection process that is dominated by the majority shareholder. The members of the board are subject to an age limit of 65 and are elected with different terms of mandate.**

GIMV is governed by a hybrid two-tier structure consisting of a board of directors composed entirely of non-executive directors with all members elected by the general meeting and an executive committee. The board is the ultimate decision-making body which outlines the company's strategy and is in charge of the most sensitive decisions. The executive committee on the other hand deals with the day-to-day management.

The board is assisted in its audit, remuneration and nomination responsibilities by committees, which have been enshrined in the articles of association. GIMV has quite a tradition in using committees whose creation dates back to the mid-90s.

Both boards have an acceptable size with the board of directors consisting of 13 members and the executive committee of 8.

The nomination process of the directors is dominated by the majority shareholder, as 8 out of the 13 members are directly and exclusively proposed by VPM. The five-member nomination committee, which includes 2 independent directors, has the sole authority to propose 5 board members. This balances to some degree the VPM controlled nomination process. The majority shareholder's proposal prerogative on the nomination process flows from its participation in the risk bearing capital of the company. However, even if VPM decreases its stake from 70% to a minimum of 25%, it will be granted the privileged right—enshrined then in the articles of association—to propose 5 members plus the chairman of the board. This right can only be amended by a three-fourths majority at the general meeting that will require VPM's own consent, as it would hold a blocking minority able to fend off any amendment of the articles of association.

GIMV imposes an age limit of 65 for the members of the board of directors. The terms of mandate for the directors vary from 6 years for the VPM representatives to 3 or 4 years for directors proposed by the nomination committee. As for the rotation plan of the company, nearly 80% of the directors have to be elected or re-elected in the year 2005, whereas the remainder is to be elected or re-elected the following year.

Governance Features
<ul style="list-style-type: none"> <li>▪ Hybrid two tier structure consisting of a board of directors that delegates day-to-day management to an executive committee</li> <li>▪ Adequate size of both the board of directors and the executive committee</li> <li>▪ VPM, as the majority shareholder proposes 8 members of the board of directors. The five-member nomination committee, including 2 independent directors, proposes the remaining 5 members</li> <li>▪ All nominations to the board are to be submitted to the general meeting</li> <li>▪ Age limit of 65 years for directors</li> <li>▪ Terms of appointment differ between board members proposed by the majority shareholder (6 years) and their fellow board peers (3 or 4 years)</li> <li>▪ About 80% of the directors will have to be elected or re-elected in 2005</li> </ul>

#### 4.1.2 Factual adequacy of Board profile

**The board of directors reflects a sound composition of members from a diverse academic and professional background. 4 independent voices counterbalance to some extent the powerful position of the chairman and the remaining non-executive directors, of whom 62% were proposed by the majority shareholder.**

The board of directors consists of 13 members of whom 8 (62%), including the chairman and the two vice-chairmen sit on the board of the majority shareholder and are identified by the company as such. The other 5 members are identified as independent in the annual report. 4 of these members pass as independent according to Deminor Rating's standards (for details see appendix 4). By Belgian Law the company is obliged to nominate at least 3 independent directors. To this end, the company has clearly identified 3 independent members in its latest agenda.

The role of chairman and chief executive are separated due to the structural set up of the company's governing bodies (CEO in executive committee; chairman in board of directors).

The chairman, who has close to a full-time commitment with the company, acts as a safeguard towards the executive committee. He is present at all meetings and is conferred the right to transfer any decision on an investment or participation to the board of directors that he views as being of specific strategic importance. Further, the chairman of the board of directors prepares the board meetings, has the tie vote at board meetings and is a member at all three committees (audit, remuneration and nomination). He is in charge of the informal evaluation process for the board of directors and the executive committee. The chairman is not counterbalanced by a senior independent director (who could function as a vice-chairman) on the board or a minimum 50% presence of independent NEDs on any of the three committees mentioned above.

From the analysis it appears that the board members of GIMV do not have an excessive number of outside positions. Outside positions in investee companies of GIMV taken on by non-executive board members could give rise to potential conflict of interests as directors would be sitting on both boards with a double hat. GIMV states that directors will not take up any mandate—with the exception of the chairman—upon proposal of GIMV in investee companies. Herman Daems (chairman) and Marc Ooms (NED) are members of the board of directors of Barco. Urbain Vandeurzen (NED) is the founding partner of LMS and Marc Stordiau (NED) sits on the board of Deme. These positions have been taken up before the board position in GIMV.

In terms of diversity, the company can be considered as having a complementary mix of board members covering different academic disciplines and professional backgrounds. There is no predominant age class (the average age is 54), and there is sufficient experience on the board of directors (average number of years that the directors are with the company amounts to 7 years).

Governance Features
<ul style="list-style-type: none"> <li>▪ 62% of the board members are majority shareholder representatives, while 31% are independent</li> <li>▪ Chairman of the board functions as an adequate safeguard towards the actions of the executive committee</li> <li>▪ Powerful chairman is not sufficiently counterbalanced by an independent component on the board and on the three committees</li> <li>▪ Role of chairman and CEO are separated</li> <li>▪ Outside positions of board members are limited</li> <li>▪ Some members hold positions in investee companies which may give rise to a conflict of interest situation</li> <li>▪ Good diversity in terms of skills and experience</li> <li>▪ No predominant age category or professional/industry group</li> </ul>

## 4.2 Functioning of the Board

### 4.2.1 Board responsibilities and tasks

#### *4.2.1.1. Control responsibility – Audit Committee*

**The board of directors of GIMV has given credible examination powers to the audit committee, which is composed of NEDs only with one independent member and is active in pursuing its work responsibly.**

GIMV's board of directors is assisted by a number of committees, including the audit committee. The committee is composed of 4 non-executive directors, with only 1 member who can be considered independent. The CEO and CFO usually participate in the meetings, which may at times affect uninhibited discussions among the remaining NEDs.

The audit committee does not report directly to the shareholders via the annual report.

GIMV's audit committee, which makes non-binding proposals to the board of directors, proves to be quite active; 8 highly attended meetings were held during the last financial year. The agenda and preparatory information are distributed on time to all committee members. Recurrent items such as examination of quarterly and annual reports as well as valuation are included into the annual agenda before the start of the financial year.

Governance Features
<ul style="list-style-type: none"> <li>▪ Adequate size (4 members) of the audit committee</li> <li>▪ Only one independent member</li> <li>▪ CEO and CFO usually take part in committee meetings</li> <li>▪ Easy access to relevant information</li> <li>▪ No report to the shareholders in the annual report</li> <li>▪ Early agenda setting for recurrent events</li> </ul>

#### *4.2.1.2. Strategic responsibility – the board of directors*

**Deminor Rating's analysis revealed a clear involvement of the board of directors in the strategy-making process. Close control and supervision of the executive committee, particularly through the chairman of the board, ensures alignment of company strategy to market needs and swift board involvement whenever need be.**

Due to the specific activity of the company, there is need for a constant control over the decisions taken at all levels in order to safeguard the overall strategic objectives. A subsidiary is created for each investment segment, whereby a member of the executive committee heads a subsidiary. The strategy is being watched over by the board of directors. A pre-eminent position in this respect is taken up by the chairman of the board who participates in all executive committee meetings thereby fulfilling conscientiously the board's responsibility of strategy and control.

Deminor Rating's analysis revealed that the board of directors is quite active in the strategy making process. All

board members have a strong sense of ownership for the successful search for and implementation of company strategy.

#### Governance Features

- Specific subsidiaries set up to tackle investment segments
- Each subsidiary is headed by an executive committee member
- The chairman of the board participates in all executive committee meetings to conscientiously fulfil the board's responsibility of strategy and control
- The board of directors as a whole deals with the company strategy in an active manner

#### 4.2.1.3. Selection and evaluation – the nomination committee

**The nomination committee is composed of 5 NEDs of whom 2 are independent. It is in charge of proposing 5 out of the 13 members to the general meeting. Evaluation of board members and the CEO takes place informally with the chairman, who also serves in the nomination committee.**

At GIMV the nomination committee is responsible for making recommendations for the non-VPM proposed members only (5 out of 13).

The selection procedure of the board members representing the majority shareholder has not been formalised. The unpredictable selection process is not reassuring to the market and could be regarded as a risk factor.

With 2 out of the 5 members being independent the nomination committee of GIMV features some balanced input into the proposal of non-VPM board members. The idea behind the presence of both independent directors and VPM directors on this committee is to avoid the risk of any director group reaching out to its old boys network without regard to the company's interest. The nomination committee restricts the outline of a profile to those individuals it proposes. There is no board profile for GIMV that would set out the complementary skills and experience necessary to supervise, control and guide its operations.

Board evaluation does not take place. The evaluation process of GIMV for both non-executive directors as well as the CEO is based on an informal approach through a meeting with the chairman.

#### Governance Features

- The committee is composed of 5 members, including the chairman, 2 of whom are independent
- The selection process of the 8 VPM proposed board candidates is not formalised
- The nomination committee provides a profile for the individuals it proposes
- Board evaluation and profiling does not take place
- Individual evaluation of the board members and the CEO take place informally with the chairman

#### 4.2.1.4. Determining remuneration - the remuneration committee

**The remuneration committee consists of 5 NEDs 2 of whom are independent. The committee takes care of board, top management and staff remuneration.**

GIMV has set up a remuneration committee consisting of 5 members of whom 2 members are independent. The CEO usually takes part in the discussions. However, no executive committee member is allowed to participate in decisions involving the discretionary bonus of an executive committee member.

The remuneration committee also takes care of board pay and the general pay policy of GIMV personnel.

The remuneration committee held three meetings during the year 2002. It produces minutes for each meeting and reports to the board of directors. The committee can make use of external consulting if it so wishes. No reporting to shareholders takes place.

#### Governance Features

- The committee size is adequate with 5 members
- Presence of 2 independent directors, the CEO and the chairman
- May seek professional advice if need be
- The nomination committee deals with non-executive, executive and top management remuneration as well as the general pay policy for employees
- No report to shareholders in the annual report

#### 4.2.2 Internal Board procedures

**According to Deminor Rating's analysis GIMV operates via a clear and transparent governance structure with the chairman playing a key role in the board's responsibilities. Conflicts of interests have been well handled and made transparent.**

GIMV operates through a clear business structure with transparent channels for the delegation of powers to the investment subsidiaries and the executive committee. The chairman of the board of directors operates as the ultimate safeguard for control and strategy at GIMV by participating at the executive committee meetings and by being empowered to transfer decisions from the executive committee to the board of directors, if deemed appropriate. He does not participate in the decision-making process of the executive committee.

In principle the board of directors holds a board meeting each month—with the exception of August. A meeting can only be held if at least half of the directors are present or represented. The average attendance rates of the board meetings amount close to 90% over the last 3 years and reflect the commitment and motivation that are propelling the board members.

Decisions on board level are to be taken by absolute majority. The chairman has the casting vote. Review of the minutes of the board meetings have made clear that the board and especially the chairman strive to reach a consensus through debates that take as long as needed. A consensus is reached in nearly all cases.

Members of the executive committee are always present at the board meetings. This is done for informative reasons. They are invited to the board meetings for presentations and answering questions of the directors. They do not take part in the decision process, although they are present. No meetings have been held without the presence of executive committee members.

The information flow to members of the board is periodic and timely. They receive information every month, every quarter, every half-year, yearly and on an *ad hoc* basis whenever need be. Information is sent a couple of days before the meeting. The information flow of GIMV is regarded as excellent practice.

A specific code of conduct (“Leidraad voor bestuurders” (2001)) is valid for the board of directors. This code clarifies the principles and procedures to be followed in case of conflict of interest, confidential information treatment, limited periods for share dealing, treatment of company goods and gifts to directors. A similar code has been issued for the company employees and the members of the executive committee. The company has also issued an ethical charter for the employees. None of the codes are publicly available.

GIMV has a clear procedure it follows in case of conflict of interest. GIMV has shown that it takes this process seriously and applied it whenever such a situation emerged. The annual reports of 1998 and 1999 are examples for the use of such a procedure. No conflicts of interest were reported in the following years. The procedure GIMV follows and the way the company carries out the procedure are exemplary of how the market expects a company to act in such a situation. GIMV can be regarded as an excellent performer in this respect.

Governance Features
<ul style="list-style-type: none"> <li>▪ GIMV operates through a clear business structure</li> <li>▪ The chairman participates at the executive committee meetings</li> <li>▪ The chairman is empowered to transfer decisions from the executive committee to the board of directors</li> <li>▪ The chairman does not participate in the decision-making process of the executive committee</li> <li>▪ The average attendance rates of the board meetings amount to a respectable 85% each year</li> <li>▪ Members of the executive committee are always present at the board meetings</li> <li>▪ The information flow to members of the board is periodic and timely</li> <li>▪ A specific code of conduct is valid for the board of directors with a similar one being issued for the company employees and the members of the executive committee</li> <li>▪ Exemplary handling of conflicts of interest at board level</li> </ul>

\* \* \* \* \*

**Appendix 1**

**Capital Structure of GIMV**

*Details of the capital structure of GIMV on 01 July 2003 as disclosed by GIMV*

<u>Type of share</u>	<u>No. of shares</u>	<u>Capital Per share (EUR)</u>	<u>Voting rights per share</u>	<u>Gross dividend per share (EUR)</u>	<u>% of Capital</u>	<u>% of voting rights</u>
Ordinary share	23,176,005	9.49	1.00	0.70	100.0%	100.0%
<b><u>Total</u></b>	<b><u>23,176,005</u></b>	-	-	-	<b><u>100.0%</u></b>	<b><u>100.0%</u></b>

Note:

- The total amount of the share capital is EUR 220,000,000.

## Appendix 2

### Voting Procedures & Methods

	<u>Ability</u>
Postal voting	Yes
Pre-filled proxy voting <sup>4</sup>	Yes
Proxy voting	Yes
Internet voting	No

#### Postal voting

Postal voting is explicitly made possible by the company by inserting such possibility in the articles of association. The company has sent a form to all registered shareholders by which they can fill in their votes and send it to the company.

#### Proxy voting

Proxy voting is possible without limitation. Registered shareholders can make use of the same form for mailing their votes as a power of attorney for their representative.

#### Internet voting

Internet voting is currently not possible.

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<sup>4</sup> Proxy form completed by the shareholder for each item on the agenda and sent to the appointed proxy (Chairman of the Meeting, bank, employee representative) who follows the shareholder's instructions.

**Appendix 3**

**Shareholder structure**

<b>Shareholder groups</b>	<b># of shares</b>	<b>Value (€)</b>	<b>% of share capital</b>
Vlaamse Participatie Maatschappij	16,223,205	153,958,215	70%
Free Float	6,952,800	66,041,785	30%
<b><u>Total</u></b>	<b><u>23,176,005</u></b>	<b><u>220,000,000</u></b>	<b><u>100.0%</u></b>

## Appendix 4 Board Composition

▪ Directors mandates

	<u>Title</u>	<u>Name</u>	<u>Function</u>	<u>Age</u>	<u>First app't date</u>	<u>Term of appointment</u>	<u>Committees</u>
1	Mr	Herman Daems*	Chairman	57	1999*	2005	A, R, N
2	Mr	Leo Victor	Vice-Chairman	57	1980	2005	A
3	Mr	Jacques Laverge	Vice-Chairman	64	2002	2005	
4	Ms	Martine Reynaers	Board member	47	1999	2005	R
5	Ms	Marina Heyvaert	Board member	49	1999	2005	N
6	Ms	Annemie Roppe	Board member	57	1994	2005	R
7	Mr	Eric Spiessens	Board member	43	1999	2005	A
8	Mr	Marc Stordiau	Board member	57	1993	2005	N
9	Mr	René Mannekens	Board member	63	1997	2005	N
10	Mr	Frank Meysman	Board member	51	1998	2006	R, N
11	Mr	Marc Ooms	Board member	52	1995	2006	R
12	Mr	Urbain Vandeurzen	Board member	47	1996	2006	
13	Mr	Marc Vanhoey	Board member	63	1999	2005	A

\*)Herman Daems has been a director of the company from the year 1993 until 1995.

Note

A: member of the Audit Committee  
R: member of the Remuneration Committee  
N: member of the Nomination Committee

▪ Classification of board members

<u>Category</u>	<u>Title</u>	<u>Name</u>	<u>Comment</u>
<b>Shareholder Representatives</b>	Mr	Herman Daems	VPM board member
	Mr	Leo Victor	VPM board member
	Mr	Jacques Laverge	VPM board member
	Ms	Martine Reynaers	VPM board member
	Ms	Marina Heyvaert	VPM board member
	Ms	Annemie Roppe	VPM board member
	Mr	Eric Spiessens	VPM board member
	Mr	Marc Stordiau	VPM board member
<b>Independent Directors</b>	Mr	René Mannekens	
	Mr	Frank Meysman	
	Mr	Marc Vanhoey	
	Mr	Marc Ooms	Managing Director at Petercam#
<b>Unclassified Directors</b>	Mr	Urbain Vandeurzen	Founder of LMS*

\*) Urbain Vandeurzen is the founder of LMS, in which GIMV is an important shareholder.

#) Petercam is an investment bank that since 2001 obtained immaterial sums from GIMV for specific transactions and whose services are subject to a stringently applied conflict of interest policy operated by GIMV.

▪ Composition of the committees

	<u>Number</u>	<u>% of executive</u>	<u>% of non-executive</u>	<u>% of independent</u>
	<u>of members</u>	<u>members</u>	<u>members</u>	<u>members</u>
Audit committee	4	0%	100%	25%
Remuneration committee	5	0%	100%	40%
Nomination committee	5	0%	100%	40%