2020

PROXY PAPER™

GUIDELINES

AN OVERVIEW OF THE GLASS LEWIS APPROACH TO PROXY ADVICE

BELGIUM

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Guidelines Introduction

These guidelines are intended to supplement Glass Lewis' Continental Europe Policy Guidelines by highlighting the key policies that we apply specifically to companies listed in Belgium and the relevant regulatory background to which Belgian companies are subject, where they differ from Europe as a whole. Given the growing convergence of governance regulations and practices across companies subject to European Union rules and directives, Glass Lewis combined our general approach to Continental European companies in a single set of guidelines, the Continental Europe Policy Guidelines, which set forth the underlying principles, definitions and global policies that Glass Lewis uses when analysing Continental European companies.

While our approach to issues addressed in the Continental Europe Policy Guidelines are not repeated here, we will clearly indicate in these guidelines when our policy for Belgian companies deviates from the Continental Europe Policy Guidelines.

CORPORATE GOVERNANCE BACKGROUND

The Belgian Code on Companies and Associations provides the legislative framework for corporate governance in Belgium. The Financial Services and Markets Authority ("FSMA"), formerly the Banking, Finance and Insurance Commission, is the regulatory agency responsible for monitoring Belgium's financial markets.

Best practice recommendations are provided by the Belgian Code on Corporate Governance ("BCCG"), which is maintained by the Corporate Governance Committee, a private foundation formed through a joint initiative of the Banking, Finance and Insurance Commission, the Federation of Enterprises in Belgium and Euronext Brussels, in an effort to improve corporate governance standards in Belgium. The BCCG consists of principles, provisions and guidelines that correspond to various obligations, recommendations and general governance targets that Belgian companies are requested to incorporate into their governance framework on a comply-or-explain basis. The BCCG was most recently updated in May 2019 and comes into force on January 1, 2020.

REGULATORY UPDATES

BELGIAN COMPANY LAW

The Belgian Code on Companies and Associations ("CCA"), enacted in February 2019, repeals the existing Belgian Companies Code and is intended to modernise and simplify Belgian company law.

Among the principle changes is the possibility for the shares of publicly traded companies to carry double voting rights, albeit on the condition that the shares in question have been held by the same shareholder for an uninterrupted period of two years. The introduction of such "loyalty shares" will require shareholder the approval of relevant amendments to a company's articles of association. We have previously updated these guidelines to confirm that we would generally recommend against the introduction of such double voting rights at individual companies.

Further, companies may now choose between a one-tier board or a two-tier system comprising separate supervisory and management boards.

At the time of writing, the CCA is once again under review for the purposes of transposing the EU Shareholder Rights Directive ("SRD II") into law. It is likely that the implementation will require a new binding remuneration policy vote at least every four years. In the event that such policy votes are a feature of the 2020 AGM season, we will apply our policy as per our Continental Europe Guidelines.

BELGIAN CODE ON CORPORATE GOVERNANCE

The BCCG was most recently updated in May 2019 and will come into force for financial years ending on January 1, 2020 or later.

Updates include references to an advisory vote on remuneration policy in anticipation of the implementation into Belgian law of SRD II. Further, the BCCG recommends that executive directors be subject to share ownership guidelines and that variable incentive plans include a provision to recover or withhold the payment of variable remuneration. In addition, it recommends that non-executive directors receive part of their remuneration in the form of shares in the company.

SUMMARY OF CHANGES FOR THE 2020 BELGIUM POLICY GUIDELINES

Glass Lewis evaluates these guidelines on an ongoing basis and formally updates them on an annual basis. This year we've made noteworthy revisions in the following areas, which are summarized below but discussed in greater detail in the relevant sections of this document:

GOVERNANCE STRUCTURE

We have updated these guidelines to reflect the fact that Belgian companies may now choose to implement a two-tier board structure under the revised CCA. We intend to apply similar independence standards to both unitary boards and supervisory boards in a two-tier structure.

NON-EXECUTIVE DIRECTOR REMUNERATION

We have updated these guidelines to reflect the BCCG's recommendation that a portion of non-executive directors' remuneration be delivered in restricted shares. We are supportive of this recommendation; however, we will continue to generally recommend against the awarding of variable incentives, such as share options, to non-executive directors.

A Board of Directors that Serves the Interests of Shareholders

ELECTION OF DIRECTORS

In accordance with the Belgian Code on Companies and Associations (the "BCCA"), public companies may be governed by either a one-tier or two-tier board structure.[1] Companies must make an explicit choice on the structure they opt for. Under a two-tier board system, a supervisory board presides over a management board. The supervisory board consists entirely of non-executive directors, while the management board is composed entirely of executive directors. The management board is responsible for the day-to-day operation of the business, whereas the supervisory board is responsible for appointing and monitoring the management board. The choice of the governance model should be reassessed every five years.[2]

Unless specified otherwise, our guidelines generally assume a one-tier structure.

INDEPENDENCE

In Belgium, we put directors into three categories based on an examination of the type of relationship they have with the company:

Independent Director — An independent director has no material[3] financial, familial[4] or other current relationships with the company,[5] its executives, or other board members, except for board service and standard fees paid for that service. An individual who has been employed by the company within the past five years is not considered independent. We use a three year look back for all other relationships

Affiliated Director — An affiliated director has a material financial, familial or other relationship with the company or its executives, but is not an employee of the company.[6] Directors will normally be classified as affiliated if they:

- Have served in an executive capacity at the company in the past five years;

1 Article 2:8. § 1.5 of the Belgian Code on Companies and Associations.
2 Article 1.1 of the Belgian Code on Companies and Associations.
3 Per Glass Lewis' Continental Europe Policy Guidelines, "material" as used herein means a relationship in which the value exceeds: (i) €50,000 (or 50% of the total compensation paid to a board member, or where no amount is disclosed) for board members who personally receive compensation for a professional or other service they have agreed to perform for the company, outside of their service as a board member. This limit would also apply to cases in which a consulting firm that is owned by or appears to be owned by a board member receives fees directly; (ii) €100,000 (or where no amount is disclosed) for those board members employed by a professional services firm such as a law firm, investment bank or large consulting firm where the firm is paid for services but the individual is not directly compensated. This limit would also apply to charitable contributions to schools where a board member is a professor, or charities where a board member serves on the board or is an executive, or any other commercial dealings between the company and the board member or the board member's firm; (iii) 1% of the company's consolidated gross revenue for other business relationships (e.g., where the board member is an executive officer of a company that provides services or products to or receives services or products from the company); (iv) 10% of shareholders' equity and 5% of total assets for financing transactions; or (v) the total annual fees paid to a director for a personal loan not granted on normal market terms, or where no information regarding the terms of a loan have been provided.
4 Per Glass Lewis' Continental Europe Policy Guidelines, familial relationships include a person's spouse, parents, children, siblings, grandparents, uncles, aunts, cousins, nieces, nephews, in-laws, and anyone (other than domestic employees) who shares such person's home. A director is an affiliate if the director has a family member who is employed by the company.
5 A company includes any parent or subsidiary in a group with the company or any entity that merged with, was acquired by, or acquired the company.
6 If a company classifies a non-executive director as non-independent, Glass Lewis will classify that director as an affiliate, unless there is a more suitable classification (i.e. shareholder representative, employee representative).

- Have served on the board for more than 12 years, whichever is longer;[7]

- Have — or have had within the past three years — a material business relationship with the company or its auditor;[8]

- Own or control 10% or more of the company's share capital or voting rights;[9]

- Have close family ties with any of the company's advisers, directors or employees; and/or

- Hold cross-directorships or have significant links with other directors through their involvement with other companies.

Inside Director — An inside director simultaneously serves as a director and as an employee or executive of the company. This category may include a board chair who acts as an employee of the company or is paid as an employee of the company.

Voting Recommendations on the Basis of Board Independence

In accordance with the recommendations of the BCCG, Glass Lewis generally believes a board will be most effective in protecting shareholders' interests when the majority of the board members are non-executive directors and a minimum of three directors are independent.[10] In the case of a two-tier structure, the supervisory board should be entirely non-executive with a minimum of three independent directors. However, we believe at least half of all board members of companies listed on the BEL20 index of the largest and most liquid companies in Belgium should be independent directors. Where 50% or more of the members are executive directors and/or the board does not include a sufficient number of independent members, we will typically recommend voting against some of the inside, in the case of a one-tier structure, and/or affiliated directors in order to satisfy the applicable non-executive and independence thresholds. However, we will continue to accept the presence of representatives of significant shareholders in proportion to their equity or voting stake in the company.

Typically, we will refrain from recommending against the election of individual directors on the basis of lengthy tenure alone. We may recommend voting against long-tenured directors when average board tenure is excessive, there is no evidence of planned or recent board refreshment, and we have identified other concerns with the board's independence or structure.

Voting Recommendations on the Basis of Committee Independence

In accordance with CCA, only non-executive directors may serve on a company's audit and remuneration committees. Moreover, at least one member of the audit committee must be independent and have auditing competencies, and a majority of the remuneration committee members must be independent. The chair or another non-executive director should chair the nominating committee.[11] In addition to these requirements, and in line with the recommendations of the BCCG, we believe that a majority of the members of the audit and nominating committees should be independent of the company and its significant shareholders.[12]

7 Provision 3.5 of the Belgian Code of Corporate Governance ("BCCG").

8 In line with our Continental Europe Policy Guidelines. However, Provision 3.5 of the BCCG stipulate that only significant business transactions with the company in the financial reporting year shall serve to compromise a director's independence.

9 Provision 3.5.5 of the BCCG.

10 Provision 3.4 of the BCCG. In addition, Articles 7:99§2 and 7:119§2 of the Belgian Code on Companies and Associations mandates that at least one member of the audit committee be independent and have accounting and auditing experience.

11 Provision 4.19 of the BCCG.

12 Provision 4.19 of the BCCG.

OTHER CONSIDERATIONS FOR INDIVIDUAL DIRECTORS

Our policies with regard to performance and experience issues are not materially different from our Continental Europe Policy Guidelines. However, in contrast to our Continental Europe Policy Guidelines, we apply different standards for evaluating the maximum number of boards on which a director may serve.

EXTERNAL COMMITMENTS

In line with our Continental Europe Policy Guidelines, we typically recommend shareholders vote against a director who serves as an executive officer of any public company while serving on more than two public company boards and any other director who serves on more than five public company boards. We count board chairships as two directorships. Nevertheless, we adopt a case-by-case approach on this issue, as described in our Continental Europe Policy Guidelines.

Our approach to other types of conflicts of interest does not differ significantly from that outlined in Glass Lewis' Continental Europe Policy Guidelines.

BOARD STRUCTURE AND COMPOSITION

Our policies with regard to board structure and composition are not materially different from our Continental Europe Policy Guidelines. The following are clarifications regarding best practice recommendations in Belgium.

SEPARATION OF THE ROLES OF BOARD CHAIR AND CEO

While there are no legal requirements for the separation of the positions of board chair and CEO in Belgium, the BCCG recommends that in the case of a one-tier governance structure the two roles be filled by different individuals.[13] This recommendation is in line with the policy set forth in our Continental Europe Policy Guidelines.

BOARD DIVERSITY

In 2011, legislation was introduced in Belgium establishing quotas for gender diversity on the boards of public companies. Under the terms of the new law, at least one-third of directors will have to be of a different sex than the other members of the board by 2017. If this has not been achieved, the payment of director fees will be suspended, and any nomination of a director of the overrepresented gender will be considered null and void.[14]

Further, the new CCA states that companies must outline steps undertaken to ensure that least 30% of directors on the board is of an opposite gender in their annual report.[15]

BOARD COMMITTEES

Most Belgian listed companies are legally required to establish an audit committee and a remuneration committee. The audit committee is to be composed solely of non-executive directors of which at least one is independent and has financial expertise.[16] The remuneration committee is also to be solely composed of non-executive directors. The majority of the remuneration committee members have to be independent. However, these requirements do not apply to smaller companies. At these smaller companies, the tasks assigned to the audit and remuneration committees may be performed by the board as a whole, as long as: (i) the board includes at least one independent director; and (ii) in the event that the board chair is an executive director, s/he does not preside over the board when it is acting as audit or remuneration committee.[17] Moreover, the BCCG recommends that every company set up a nominating committee.[18]

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13 Provision 3.12 of the BCCG.

14 Articles 3:6§2.6 and 7:86 of the Belgian Code on Companies and Associations.

15 Article 6:3§2 of the Belgian Code on Companies and Associations.

16 Article 3:6. § 1 .9 of the Belgian Code on Companies and Associations.

17 Articles 7:10§4 and 7:120§4 of the Belgian Code on Companies and Associations. Smaller companies are defined as those with a free float of less than 50%, as well as other companies possessing two of the following three characteristics: (i) an average number of less than 250 employees during the current financial year; (ii) a balance sheet total of €43 million or less; (iii) an annual net turnover of €50 million or less.

18 Provision 4.19 of the BCCG.

In light of the requirements described above, we will generally not recommend voting against any directors based on the failure to form board committees. However, we may recommend voting against the board chair if a company has failed to form a nominating committee and the board is not sufficiently independent.

ELECTION PROCEDURES

Our policies with regard to election procedures are not materially different from our Continental Europe Policy Guidelines. The following are clarifications regarding best practice recommendations in Belgium.

CLASSIFIED BOARDS AND TERM LENGTHS

Given market practice in Belgium, we will generally accept the presence of staggered boards, so long as director terms remain reasonable. Under Belgian law, a director's term may not exceed six years.[19] Belgian corporate governance standards, however, recommend that directors be elected for terms not exceeding four years.[20] We will recommend voting against the nominating committee chair when director terms exceed this limit.

19 Articles 7:85§2 and 7:105§3 of the Belgian Code on Companies and Associations.

20 Provision 5.6 of the BCCG.

Transparency and Integrity in Financial Reporting

In Belgium, shareholders are required to approve a company's financial statements and dividend policy on an annual basis. They must also elect the company's independent auditors and approve their fees. While we have outlined the principle characteristics of these types of proposals that we encounter in Belgium below, our policies regarding these issues are not materially different from our Continental Europe Policy Guidelines.

ACCOUNTS AND REPORTS/CONSOLIDATED ACCOUNTS AND REPORTS

As a routine matter, Belgian company law requires that shareholders approve a company's annual and consolidated financial statements, within six months following the close of the fiscal year, in order for them to be valid.[21]

ALLOCATION OF PROFITS/DIVIDENDS

In accordance with Belgian company law, prior to the distribution of dividends, companies are required to allocate at least 5% of their after-tax profits to a legal reserve. Additional allocations for legal reserves are no longer required when the legal reserve reaches 10% of the company's share capital.[22] After the statutory requirement for allocation to the legal reserve has been met, shareholders may decide to declare a dividend payable to shareholders, to allocate a portion to a specific reserve and/or to carry the profits forward in retained earnings.

APPOINTMENT OF AUDITOR AND AUTHORITY TO SET FEES

In Belgium, statutory auditors are generally appointed for terms of three years.[23] Shareholders also vote on the fees that will serve as the basis for a new auditor's fixed remuneration.[24]

21 Article 3:1§1 of the Belgian Code on Companies and Associations.

22 Article 7:211 of the Belgian Code on Companies and Associations.

23 Article 3:61§1 of the Belgian Code on Companies and Associations.

24 Article 3:65§2 of the Belgian Code on Companies and Associations.

The Link Between Pay and Performance

Belgian companies are required to prepare a remuneration report and submit it for shareholder approval at the general meeting in a separate resolution.[25] This vote is solely advisory in nature.

In addition, shareholders must specifically approve: (i) any variable remuneration policy that does not satisfy specific performance period requirements, as outlined in the "Short-Term and Long-Term Incentives" section below; (ii) any equity-based awards with vesting periods of less than three years; (iii) any severance agreement exceeding 12 or 18 months of annual remuneration, as outlined below; and (iv) any variable remuneration payable to a non-executive director.

Our policies regarding these matters do not differ materially from our Continental Europe Policy Guidelines. However, we do account for a company's compliance with best practice in Belgium as described below, when evaluating these proposals.

VOTE ON EXECUTIVE REMUNERATION ("SAY-ON-PAY")

In accordance with the Belgian Companies Code, the remuneration report must disclose:

- The company's procedures for developing its remuneration policy and determining individual remuneration;
- A statement disclosing the basic elements of remuneration, the relative importance of the different components, the terms of any equity-based awards, information on the remuneration policies that were applicable during the two previous fiscal years, and a clear presentation of any significant changes made to the company's remuneration policy;
- The amounts paid to each individual member of the board;
- The remuneration paid to the head of the executive team, broken down into fixed salary, variable remuneration, pension, and all other elements;
- The total amount of remuneration paid to all members of management, which must also be broken down into fixed salary, variable remuneration, pension, and all other elements;
- The number of shares, options, and other equity-based awards that were granted or exercised, or that expired, as well as the terms of these awards for each executive, on an individual basis;
- The individual values of the severance indemnities that may be due to any executive, as well as a justification for any severance payment made during the last fiscal year; and
- Whether any clawback provisions apply to the variable compensation of executives.[26]

25 Article 3:1§1 of the Belgian Code on Companies and Associations.

26 Article 3:6§3.11 of the Belgian Code on Companies and Associations. Further, provision 7.12 of the BCCG states that the board should make provision in the contracts of the CEO and other executives to allow the company to recover variable remuneration paid, or withhold the payment of variable remuneration, and should specify the circumstances in which it would be appropriate to do so, insofar as enforceable by law.

SAY-ON-PAY VOTING RECOMMENDATIONS

SHORT-TERM AND LONG-TERM INCENTIVES

Belgian law provides a clear framework for the appropriate breakdown between short-term and long-term incentives: the Belgian Companies Code stipulates that if the variable remuneration of a director or member of management exceeds one quarter of his or her total remuneration, one quarter of the variable remuneration must be based on performance criteria evaluated over a period of at least two years, and another quarter over a period of at least three years. However, this requirement may be waived at the general meeting, or permanently removed through an amendment of the company's articles of association.[27] We will recommend voting against any proposals seeking to waive performance periods for variable pay, unless exceptional justification is provided.

Stock options are the dominant form of award under long-term incentive plans. Due primarily to Belgium's taxation regime,[28] the vast majority of such plans are not subject to performance conditions. In light of this, we will generally not recommend that shareholders vote against a remuneration report solely for failing to attach performance conditions to its long-term incentive plans at small- and mid-cap companies. However, for companies listed on the BEL 20 index we expect a significant portion of long-term remuneration to be subject to performance conditions measured over a period of at least three years, through deferral of the executives' annual bonus and/or through the use of a dedicated long-term incentive plan.

EQUITY-BASED INCENTIVE PLAN PROPOSALS

When evaluating equity-based incentive plans in Belgium, we will consider the terms of the proposed plan in light of best practice standards in Europe, as outlined in our Continental Europe Policy Guidelines, as well as in Belgium.

Under Belgian law, no performance share, stock option, or other equity-based award may have a vesting period of less than three years unless shareholders have specifically waived this requirement at a general meeting, or amended the company's articles of association.[29] In line with Glass Lewis' Continental Europe Policy Guidelines as well as local best practices,[30] we will recommend voting against any proposal seeking to waive the legally required vesting requirements.

EMPLOYEE SAVINGS PLANS

Occasionally in Belgium, shareholders are asked to approve share issuances for the benefit of employees who partake in an employee savings plan. Belgian law limits this option to companies that have distributed a minimum of two dividends over the past three fiscal years. The maximum capital increase for such an issuance during a fiscal year and the four preceding years may not exceed 20% of the Company's share capital. Additionally, the subscription price may not be less than 80% of the price justified by the reports prepared by the board of directors and auditor, and employees must hold the shares for at least five years.[31] Given these guidelines, we generally recommend voting for these proposals, unless potential dilution to shareholders under a proposed plan is excessive.

SEVERANCE PAYMENTS

Belgian law requires that any new severance agreement exceeding 12 months of annual remuneration (or 18 months if the remuneration committee provided a motivated opinion) be separately ratified by shareholders at the first general meeting following its approval.[32]

27 Article 7:91 of the Belgian Code on Companies and Associations.
28 In contrast with taxation regimes in other countries, stock options in Belgium are taxed upfront at grant date.
29 Article 7:91 of the Belgian Code on Companies and Associations.
30 Provision 7.2 of the BCCG.
31 Article 7:204 of the Belgian Code on Companies and Associations.
32 Article 7.92 of the Belgian Code on Companies and Associations.

While we will evaluate severance packages on a case-by-case basis, we will generally recommend voting against those exceeding these limits. Moreover, we believe that severance payments should not be paid in the event of inadequate performance or voluntary departure.

INCENTIVE PLANS FOR BOARD MEMBERS

In Belgium, any new remuneration program that would provide variable remuneration to non-executive directors requires separate shareholder approval.[33] We believe that a vote against such programs is consistent with local best practices as well as Glass Lewis' European approach, as detailed in our Continental Europe Policy Guidelines.

We note, however, that the BCCG recommends that a portion of non-executive remuneration be paid in the form of restricted shares. Performance shares and share options should not be used in these instances. These shares should be held until at least one year after the non-executive member leaves the board and at least three years after grant.[34] We do not object to the payment of directors' fixed fees in the form of equity provided that the vesting of such a grant is either immediate or does not require the directors' continued service on the company's board for payment to occur.

33 Article 7.92 of the Belgian Code on Companies and Associations.

34 Provision 7.6 of the BCCG.

Governance Structure and the Shareholder Franchise

In Belgium, shareholders often vote on a number of proposals that could have a material effect on their rights and interests as stakeholders. They must ratify the acts of the board of directors and independent auditors at every annual meeting. They may also be asked to approve ownership reporting rules that are more stringent than what is mandated by law, as well as a number of authorities that could serve as anti-takeover devices. Our policies on these issues do not differ materially from our Continental Europe Policy Guidelines.

RATIFICATION OF BOARD, MANAGEMENT AND AUDITORS' ACTS

Under Belgian law, shareholders must vote on the discharge of the board of directors and the statutory auditors from any and all of their actions committed during the fiscal year.[35] This discharge from liabilities is binding for all shareholders who voted in favor of the proposal and can hinder legal claims against board members and auditors. In fact, this vote protects board members and the auditors against claims for damages from the company.

However, if the information provided to shareholders prior to the meeting was incorrect or incomplete, shareholders can still bring proceedings against the board and the auditors. Moreover, despite the approval of the ratification proposal, these individuals will still be liable for willful misconduct, fraud or any criminal offenses. Lastly, the discharge granted by shareholders does not release them from liabilities toward third parties.

OWNERSHIP REPORTING REQUIREMENTS

Belgian company law requires that any shareholder or group of shareholders whose ownership of voting rights in a company rises above or falls below 5% of total voting rights must notify the company and the FSMA. This disclosure obligation also exists for every transaction that causes the owner's voting rights, taking into account any voting rights held by affiliated entities, to exceed or fall below any multiple of 5% of total voting rights. The notification must be effected within four business days of the date on which the ownership threshold was crossed, and specify the number of shares held as well as the corresponding number of voting rights.[36]

However, a company's articles of association may also require notification when a shareholder's ownership passes the thresholds of 1%, 2%, 3%, 4% and 7.5%.[37] In line with our General European Policy Guidelines, we will generally recommend voting against any amendment to the articles of association lowering share ownership disclosure thresholds.

DOUBLE VOTING RIGHTS

The Companies Code includes the potential for shares to carry double voting rights, provided that the shares have been held by the same shareholder for an uninterrupted period of two years. The introduction of such "loyalty shares" requires approval by general meeting with a two-thirds majority by amending the company's articles of association.

Glass Lewis generally believes that shareholders' voting and economic rights should be equal. In our view,

35 Articles 7:109§3 and 7:149 of the Belgian Code on Companies and Associations.

36 Article 7:83§1 of the Belgian Code on Companies and Associations and Articles 5 through 28 of the Law of May 2, 2007 implementing the Transparency Directive.

37 Article 18 of the Law of May 2, 2007, implementing the Transparency Directive.

double voting rights unfairly privilege a small class of shareholders at the expense of others. As such, we will generally recommend voting against such proposals.

ANTI-TAKEOVER DEVICES

CHANGE IN CONTROL PROVISIONS

Belgian law requires that the extraordinary meeting of shareholders approve any clause pursuant to which the company may incur debt or an obligation in the event of a change in control or a public takeover bid.[38] While such clauses are often routine items, we are generally concerned about the presence of any provision that may deter a potential takeover, which may substantially limit buyout opportunities for shareholders.

As a result, we will support these proposals when the terms of the provision are clearly disclosed and the agreement falls within the company's regular course of business.[39] In other cases, we will usually recommend voting against the proposal absent a compelling rationale for how the agreement serves shareholder interests.

SHARE REPURCHASE PLANS

Belgian companies sometimes request shareholder approval of the authority to repurchase shares in the event of "serious and imminent harm to the company."[40] Such an authority can be valid for a period of up to three years, and is included in the company's articles of association.

Glass Lewis believes that authorities that are intended to prevent or thwart a potential takeover of a company are not in shareholders' interests since they may substantially limit buyout opportunities for shareholders. Therefore, we will recommend voting against any proposal that specifically indicates that the company may repurchase shares during a takeover period.

ISSUANCE OF SHARES AND/OR CONVERTIBLE SECURITIES

In Belgium, shareholders may also explicitly allow companies to use their authorised capital during a takeover period. Such an authority can be valid for a period of up to three years and is included in the company's articles of association. In such a case, the company may use that authority to the extent that: (i) the issuance price is at least equal to the price being offered by the entity making the bid; (ii) the new shares are fully paid-up upon issuance; and (iii) the number of new shares does not exceed 10% of the company's share capital prior to the capital increase.[41]

Because such authorities can serve as a deterrent to interested suitors, we will recommend voting against any proposal that authorises a company to increase capital during a takeover bid without adequate rationale.

38 Article 7:151 of the Belgian Code on Companies and Associations.

39 Good disclosure of terms of the transaction should include, among other details, the value of the transaction, the entities involved and the rationale for it to be considered as ordinary business.

40 Article 7:215 of the Belgian Code on Companies and Associations.

41 Articles 7:198 and 7:201 of the Belgian Code on Companies and Associations.

Capital Management

In Belgium, authorities to issue and repurchase shares are integrated in a company's articles of association. As a result, they are submitted to shareholder approval in the form of article amendments.

While the principles outlined in the Continental Europe Policy Guidelines remain applicable, because of the frequent introduction of related anti-takeover measures, we have adopted additional policies for these issues in Belgium, as presented below.

AUTHORISED CAPITAL

In Belgium, shareholders are required to approve all proposals related to the issuance of shares and/or convertible securities. According to Belgian law, shareholders may delegate the power to determine the terms and conditions of the issuance to the board. Notwithstanding the aforementioned, shareholders must determine the length of the authority, which is included in the company's articles of association and may in no event be greater than five years.[42] Moreover, according to Belgian law, companies are required to respect the preemptive rights of shareholders, unless they have received express authority to waive these rights in a proposal approved at a previous shareholder meeting.[43]

In line with the Continental Europe Policy Guidelines, we will generally recommend voting against any authorisation that could result in an issuance with preemptive rights in excess of 100% of share capital, and without preemptive rights in excess of 20% of share capital. We will also recommend voting against any authorised capital authority if the company's articles of association include an anti-takeover provision that would enable the company to issue capital during a takeover period, or if the authority is bundled with the renewal of an anti-takeover provision. If the meeting agenda includes both a regular authorised capital authority and the renewal of the anti-takeover provision, we will generally support the former proposal but oppose the latter.

AUTHORITY TO REPURCHASE SHARES

Previously, Belgian law limited the number of shares that may be repurchased to 20% of a company's capital. This limit was removed in 2019, and the number of shares that can be repurchased will now be determined by the general meeting. However, we will continue to apply a 20% threshold for the purposes of our analysis and voting recommendations.[44]

We will generally support authorities to repurchase shares in Belgium, unless the company's articles of association include an anti-takeover provision that would enable the company to repurchase shares during a takeover period, or if the authority is bundled with the renewal of an anti-takeover provision. If the meeting agenda includes both a regular share repurchase authority and the renewal of the anti-takeover provision, we will generally support the first proposal and oppose the latter.

42 Article 7:199 of the Belgian Code on Companies and Associations.

43 Article 7:191 of the Belgian Code on Companies and Associations.

44 Article 7:215§4 of the Belgian Code on Companies and Associations.

DISCLAIMER

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