

LAW & POLICY GROUP

GRIST**BELGIUM UPDATES CORPORATE GOVERNANCE CODE FOR 2020 REPORTING**

By Mercer's Peter Boreham, Fiona Webster and Stephanie Rosseau
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A [revised](#) corporate governance code for companies listed in Belgium will take effect on 1 Jan 2020 — the first update since [2009](#). Companies must comply with the revised code or explain why they haven't in more detail than previously required. The code will apply to reporting years starting on or after 1 Jan 2020, although companies may voluntarily apply the code to reporting years from 1 Jan 2019.

HIGHLIGHTS

In general, the revisions reflect the usual current and best practice themes seen in other mature European markets. Key provisions address:

- **A two-tier governance model.** Public limited liability companies must explicitly opt for either a two-tier model (comprising a supervisory board and a management board) or a one-tier model, as prescribed by the new Companies Code. Every five years, the company's supervisory board must reassess the appropriateness of the current governance model for the company.
- **Remuneration policy and 'say on pay'.** The changes aim to implement the EU's shareholder rights' directive and require the board of directors to prepare a remuneration policy and put the policy to a vote at the annual general meeting. Companies should consider revising the policy if a significant proportion of votes are cast against it.
- **Remuneration of nonexecutive directors.** Companies shouldn't give nonexecutive directors performance-related pay linked to the company's results. These directors' remuneration should be paid partially in company shares, but not stock options. Shares should be held for at least one year after the end of the individual's board mandate and at least three years after the date of the award.
- **Remuneration of executive directors.** The board should set a minimum threshold of shares that must be held by executive directors, and short-term variable remuneration awards should be capped. Stock options should be subject to a minimum vesting period of three years. Executives' contracts should include clawback and malus clauses to enable the recovery or withholding of variable remuneration and specify the circumstances, insofar as these are legally enforceable.

- **Nonfinancial objectives.** Boards must “ensure the integrity and timely disclosure of the company’s financial statements and other material financial and non-financial information in accordance with applicable law.”
- **Board diversity.** Board members should have appropriate expertise and have “sufficient diversity” in skills, background, age and gender.

RELATED RESOURCES

- [2020 Belgian Corporate Governance Code](#) (Corporate Governance Committee, May 2019)
- [Background Information on Corporate Governance Code](#) (Corporate Governance Committee, May 2019)
- [2009 Code on Corporate Governance](#) (Corporate Governance Committee, 2009)

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