



CHARTER

People Governance to strengthen Corporate Governance

Charter for company directors and their Boards of Directors



People Governance Commission

15 February 2007

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Foreword

The issue of people governance in the corporate setting is a vast multi-faceted subject. The Commission, by viewing the company as a "community at work" wished to underline the importance of meeting company objectives, especially economic objectives, through a process carried by the men and women participating in a dynamics that is shared and sustainable, with rights and duties.

In this perspective, men and women are no longer seen as "capital" or "resources", but as active and responsible members within a complex system whose purpose is primarily economic.

Thus, the work of the Commission was not a reflection on "human resources", even though this was an aspect of the question. Rather it was a reflection on how corporate governance can be enhanced through the influence of the innumerable components of human nature.

Reinforcing economic and human prospects, strengthening social-professional cohesion, enabling the company to be more fully aware of the realities and interactions of its people and mechanisms all add up to better decision-making and better governance.

The Commission is attentive to the fact that a company constantly takes decisions regarding the men and women on their staff rolls. Yet, so many decision-making structures have no person to whom they can refer for questions regarding human governance - people governance. The main thrust of our work was thus to enrich this decision-making process through a human governance approach that is structured, planned and integrated in the corporate decision-making process.

The Commission is convinced that a new-generation Corporate Governance Code will emerge, one that will give a larger place to "Human Governance". The charter prepared by the Commission is a first step in this direction. The second step will be to integrate this charter into the existing Codes.

I am grateful to the members for the motivated and motivating energy they put into the preparation of this Charter.

I should also like to thank the partners who not only offered an exceptional framework for the Commission's work, but also invested a good deal of time to prepare our plenary sessions.

This process is unique in Europe, and Belgium can play a leading role in the evolution of corporate codes along these lines.

I personally hope that the debate on Human Governance as a complementary vehicle for corporate governance is now open. And that each corporate director, in turn, can launch this matter so essential to our life in the economic community – achieving the desired level of performance as a consequence and not merely as a goal.

Serge Hubert

15 February 2007

Introduction

The Human Governance Commission entrusted itself to formulate a series of recommendations and guidelines in human governance for corporate directors, their Boards of Directors and management councils. The aim is thoroughly pragmatic, and the overall vision consists in stating that a new generation of codes should give greater consideration to the human governance dimension.

The goal is not to write just one more code, but rather to provide a set of recommendations that can be incorporated into existing codes.

The question of integrating the "human" component is not a priority expressed in corporate governance codes. These codes were not written in this frame of mind, although they do contain two elements close to human considerations, namely the matters of salary committees and nomination committees.

The "Buysse Code" stresses the importance of good relations with staff in its chapter on "Basic recommendations for sound entrepreneurship": "An enterprise is built not only with financial capital, but also with human capital. A good relationship with the employees is therefore just as important for the continuity and growth of an enterprise as the relationship with its banker, suppliers or customers. Here, too, mutual trust must form the basis, since satisfied employees produce better operating results."¹

Recommendations in this area focus on being more attentive to employee satisfaction as well as encouraging staff to participate in the company policy.

The Human Governance Commission adheres to the logic of reinforcing corporate governance by introducing a people governance policy that is defended and promoted by the decision-making bodies and all the company stakeholders.

Corporate governance can be defined as establishing the rules, mechanisms and behaviours that make it possible to guide, monitor and evaluate the way a company is run.

A structured human governance is not only a means to provide an additional approach to the company's governance; it is also an integral part of corporate governance.

Corporate governance is applied in the aim to develop the corporate spirit, to reinforce the quality of the management structure's decision-making and control processes, and also to evaluate performance. It plays a role in setting general objectives and also in defining the financial and human resources needed to attain these objectives.

Corporate governance is a sustainable process that not only serves the shareholders, but also benefits all the components of a company.

The way a company is run and controlled is a key element in corporate governance. Integrating the human element, and human behaviour, in this process can occur at all levels of the company's management process.

¹ *Buysse Code, English version p. 28:* <http://www.codebuysse.be/en/default.aspx>

Corporate governance is concerned with the efficiency of a company as well as the endeavour to make all the stakeholders feel responsible, in particular the Board of Directors, executive management, and the personnel on the whole. These efforts can be strengthened by implementing a structured and well-planned human governance.

1. Human governance

It is up to each company to situate itself as regards the issue of human governance; it will adopt its own definition and determine the scope of the human governance it wishes to pursue.

Nevertheless, a basic definition is called for, to serve as a working basis for all discussions on human governance.

Definition

Human governance is the setting up of ethical rules and behaviours that lead to the integration of people-related issues at all stages of the decision-making processes of the company's decision bodies.

Human governance is applied in a broad spectrum and is guided by the long-term perspective. It is driven by three main principles:

- It endeavours to enrich the decision-making process, and thus the governance of the company overall.
- It endeavours to strengthen social-professional ties and all that has a sustainable meaning for the members of a company, in particular sharing common values, and achieving the company objectives and profitability.
- It fosters the process of making the "community at work" feel truly responsible.

The decision-making processes that are installed can be:

- Economic
- Managerial
- Institutional
- Technological

Ethics provides a framework for human governance practices. It does not judge, but challenges behaviours on the basis of key values that the company wishes to convey. The basic postulate of human governance is the affirmation of each individual rather than that of the group.

In this sense, humans are no longer considered exclusively as "resources" or "capital", but rather as members of an economic community at work, with its rights and duties, its challenges and its collective and individual rules.

As such, human governance must be considered as a "natural continuation" of corporate governance – and an integral part of the company's operations. It installs a method by which processes throughout the company are aligned and appropriated in a "top-down/bottom-up" manner.

Although the issue of human governance does not centre on human resources management, the latter is however an important element. Due reflection must be accorded to the corporate function responsible for human resources management to determine its content and positioning in the company. The decision to introduce the notion of human governance in the company's decision-making bodies becomes a managerial action.

Economic Process

Economic processes relate to the responsibility that each stakeholder in the community at work must assume to attain the desired profitability, and more generally to each individual's direct or indirect contribution in fulfilling the company's vision and mission.

Managerial Process

Managerial and social practices place the stakeholders in relation to one another, resulting in a set of requirements, relational modes, commitments, duties and obligations.

Technological Process

Technological processes affect the way the work is organised, and also influence changes in professional space and time. Technological processes, in some ways, can be harmonising and egalitarian, or on the contrary, can generate inequality and undermine relations.

Institutional Process

Institutional processes relate to the setting up of social and collective relations through legal instruments such as the works council, or trade union delegation...

2. Recommendations for the Board of Directors

Recommendation 1.

The Board of Directors takes the initiative

The Board of Directors must be the institutional entry point for the debate on human governance, regardless the size of the company.

- Each Board of Directors considers the question of human governance for its own context.
- The Board of Directors guides the company strategy, which in particular means taking human and managerial aspects into account. It thus has the mandated authority to launch the debate on human governance and give it the importance it deems suitable.
- The Board of Directors regularly discusses people-related issues, especially in the context of scenarios for the evolution of the company and its markets.
- The Board of Directors is guardian of the initiative regardless of the company post chosen as the focal point for human governance.

Recommendation 2.

The Board makes its competences available and determines the roles

- The complementarity of the Board members' competences influences the approach taken to the debate on human governance. In this context, decisions are in the hands of the Board of Directors and it undertakes to make the competences of its members available, together with the resources they consider necessary to further the development of the human governance principle.
- The Human Resources manager has a constant role in the issue of human governance. The Board of Directors must determine the position of this post in relation to this issue

and the role this manager plays in relation to the Board. This question is different from the debate on the "mandate for human governance".

Recommendation 3.

Being trained and becoming informed

- The Board of Directors is regularly informed and kept abreast of issues related to human governance.
- The Chairman of the Board ensures that the directors are able to involve themselves in the strategic issues of human governance.
- The directors who are willing to become more closely involved in human governance, or those holding such responsibilities as decided by the Board shall develop their knowledge in this area (*see Annex 1*).

Recommendation 4.

The Board of Directors issues guidelines

- The Board of Directors publishes guidelines on the specific framework it intends to give to the application of human governance, the final aims, and the basic values it wishes to defend. These guidelines structure and form the mandate for human governance.
- These guidelines are the basis for the specifications drawn up for the agent mandated to implement human governance.
- These guidelines also define any role of executive management, the management committee, and possibly of the works council in this specific context.
- The mission must be undertaken in a budgetary and organisational structure defined for strategic People Governance.
- Beyond the characteristics common to all endeavours to define and apply human governance, the exercise is nevertheless specific for each company, and a clear consensus must be reached on the role it will play in the company. It is recommended to involve the operational managers in this exercise and to make them responsible.
- After the Board of Directors confirms the guidelines, it mandates an agent to draft a concise set of specifications.
- Launching a debate on People Governance is a complex process and calls for strict methodology, perfectly phased and under the control of the Board of Directors. It is a good idea to set up a "pilot group", the composition of which is defined by the Board.
- The Board determines the appropriate way to disseminate these guidelines.

Recommendation 5.

The Board of Directors issues a mandate

- The Board of Directors issues a mandate on the People Governance policy adopted in order to be kept informed, in a precise and timely manner, about the application of its human governance policy.
- The mandated agent takes care to ensure the spirit and overall consistency of the human governance practices. He/she must ensure the fairness, humanity and visibility of these practices.
- The Board of Directors attributes this mandate, excluding active participation in advisory committees dealing with remuneration, nominations and audits, as recommended by corporate governance codes to avoid conflicts of interest.² This does not prevent the Board from inviting the agent to these Committees for a specific function.

Characteristics of the mandate

The agent responsible for human governance is a director and/or Board member, whose actions are taken within the strategic framework defined by the Board of Directors.

Components of the human governance mandate:

- To assist and advise the Board of Directors in drafting the "guidelines" and "specifications" that will be applied to elaborate the "human governance plan".
- To write the annual report on human governance to be submitted to the Board of Directors.

² The Board entrusts tasks that may entail a risk of conflict of interests to a sufficient number of non-executive directors, so that they may formulate an independent opinion.

- To provide support to all the stakeholders who have an impact on human governance. This implies establishing networks of stakeholders both within and outside the company.
- With the help of executive management, to ensure that the "framework plan for People Governance" is actually implemented in the various operational entities.
- To provide special guidance to the Board of Directors regarding the impact of the decisions taken.³
- To integrate any reactions, adaptations or reorientation of decisions in the framework plan.
- To draw up human governance scenarios for anticipated changes, and to do this for contexts as varied as the willingness to change the company strategy, possible conflicts, or even purely exploratory approaches taken by the company relating to its corporate and/or economic future.⁴

³ To ensure the responsibilities conferred to them, the members of governing bodies must have access to exact and accessible information, made available in a timely manner.

⁴ Once again this underlines the importance the Board be in a position to devote sufficient time and develop its knowledge on the issues and specific topics of human governance.

Recommendation 6.

The agent defines and validates the Framework plan for Human Governance

6.1. The agent introduces the general objectives of the human governance plan

The "human governance plan" is specific to each company. Nevertheless some general objectives are essential to drafting an efficient plan. The executive body must take the five general objectives listed below into consideration:

- To develop a broad spectrum approach to people management, one that integrates all the stakeholders, and is consistent with the company's strategic, human and economic objectives.
- To set up a method to monitor the consistency and visibility of the practices and the decisions taken in the human governance context.
- To provide scenarios on the evolution of indicators and parameters for human governance.
- To provide information on the impact of the decisions and managerial practices.
- To endeavour to strengthen social-professional ties and all that has a sustainable meaning for the members of a company (common values, achieving objectives and profitability).

6.2. The Board of Directors validates the spheres of its human governance.

The Board of Directors shall check and validate that the human governance plan includes the following three dimensions:

6.2.1. Description of the strategic impacts of the Business Plan.

- Mastering the various the direct or indirect cost elements linked to human factors. Financial impacts linked to human factors are complex, and go far beyond the sole issue of remuneration.
- The ability to take into account the evolution of the legal and political environment having a direct and/or indirect impact on people management.

6.2.2. The Cultural dimension

- Implementing a corporate vision and mission that are clear and shared. The "economic community at work" dimension is an explicit part of the description of the corporate vision and mission. It becomes operational in the human governance plan.
- The consistency between the values conveyed and the vision that is drawn up. Understanding the values across-the-board.

Divergence in the understanding and interpretation of the vision and associated values can be frequent. There can also be a discrepancy between behaviours and the values promoted. This is a key factor to be solved when the human governance plan is developed.

- Consistency between managerial practices, the vision and the values adopted.

A critical approach to the management practices of the community at work is one objective to be met through the human governance plan. This is a broad subject, touching on practices such as: skills management, performance evaluation systems, remuneration for individual and collective performance, etc...

- Consistency between the business plan and the organisational modes adopted.
- Consistency between the processes, technological solutions and the existing infrastructure.
- The company's ability to move from one scenario to another, in the light of business plan or market imperatives.

6.3. Preparing the Human Governance framework

The framework plan is the reference document for efficient implementation of the human governance policy. It must receive wide consensus from the Board of Directors and management, and serve as a detailed mandate for the human governance agent.

This plan must at least contain the following elements:

- The goals and recommendations provided by the "guidelines", the governing body's formulation of the "general objectives for human governance", together with the spheres chosen for its operational policy.
- The framework plan is structured primarily by a set of projects and specific actions. In this realm the link between project management and human governance is fundamental. A key chapter of the reference document is the presentation of the projects and the goals to achieve. The follow-up and evaluation of these projects, in particular, is the source for information needed to evaluate regularly the human governance scenarios chosen by the company. The consolidation of data sustains the work of the decision-making bodies and must provide information on the effective installation of the human governance policy.
- Description of the type of report to be submitted to the decision-making bodies, including reporting frequency.

The Board of Directors confirms the choice of indicators to be considered and the types of management chart to be compiled.

- The broad operational objectives.
- Description of the projects.
- Method to follow-up and evaluate the plan.
- Method to communicate the plan.

The aspects to be considered are vast and multi-disciplinary. The conditions for a successful installation of the human governance plan depend not only on the ability to draft the plan, but also and especially on the ability to collaborate and mobilise all the company's partners.

Human governance must become a full-fledged discipline, guided by the Board of Directors and sustained by everyone involved.

Recommendation 7.

Human governance audit committee

The Board of Directors examines the feasibility of setting up an human governance audit committee, with the main task of monitoring effective application and the fulfilment of rules and objectives. This committee will also be responsible for providing advice and information to the Board for its decisions.

The Committee will be chaired by the human governance agent.

Recommendation 8.

Human governance is situated upstream

Human governance is upstream from human resources. Management ensures its implementation in the company in the framework defined by the Board of Directors.

Recommendation 9.

Annual Report

The Board of Directors, together with management, ensures that information on human governance is published in the company's annual report.

Annex 1: Training for the directors

The Belgian Directors Association (Association Belge des Administrateurs/Associatie van Bestuurders in België) proposes training for its members to enable them to further their ability to perform their director's mandate.

The theme of people governance will be included in this Director's Accreditation training.

Annex 2: Agent's profile

The People Governance agent should ideally:

- Be an executive director.
- Have sufficient experience to master both the overall and specific aspects of company management, and possess sound knowledge of the company's reference professional sector.
- Have the knowledge needed to draft a company plan and more specifically programmes related to people management.
- Master the notions of "risk management", "change management" and "scenario planning"
- Have the sufficient personal influence capacity needed to set up the internal and external networks to achieve the "People Governance plan".
- (...)

Annex 3: List of members

Chairman

Serge HUBERT

Managing Partner Progress Associates International

Members, in alphabetical order

Mr. Georges ANTHOON

Human Resources Director – AXA

Mr. Alexandre CLEVEN

Deputy Director – PARTENA

Mr Luc COOREMANS

President - HR PUBLIC

Mr. Herman CRAENINCKX

Lawyer – STIBBE

Mr. Michel DEBOECK

HR Director - FORTIS S.A.

Me Marie-Gemma DEQUAE, Dr. TEW

Group Risk & Insurance Manager - BEKAERT

Mr. Paul-Marie DESSART

Secretary General - MOBISTAR

Mr. Yvan DIERCKXSENS

Executive Vice President - USG People

Mr. Fabrice ENDERLIN

Vice President Human Resources - GSK

Mr Freddy IEMANTS

HR director IRIS network

Mr. Olivier HEROUT

Senior Vice President Human Resources – SUEZ

Mr. Jacques KANNAERTS

Human Resources Director – ARJOWIGGINS

Mr. Pierre KLEES

President of the Belgian Directors Association (Association Belge des Administrateurs/Associatie van Bestuurders in België)

President of ECODA European Confederation of Directors' Associations

Mr. André LECLERCQ

Vice President Employee relations Europe - ARCELOR-MITTAL

Mr. François PICHAULT

Full professor HEC-Management School

University of Liège

Mr. Bruno SCHRÖDER

National Technology Officer – MICROSOFT BELGIUM

Mr. Johan VANDEN EYNDE

Lawyer, Managing Partner Vanden Eynde

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Mr Dany VANDORMAEL

Regional President Security Services Western & Southern Europe - Group4Securicor

Commission partners
Partena , Social Secretariat & HR support
Law firm - Vanden Eynde & Partners –

