

GUBERNA GOVERNANCE INSIGHTS

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Prof. dr. Lutgart VAN DEN BERGHE

*In collaboration with*

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Groenstraat 31  
2640 Mortsel  
Belgium  
Tel.: +32 3 680 15 50  
Email: mail@intersentia.be

Internal Governance  
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Cambridge – Antwerp – Portland  
www.intersentia.com | www.intersentia.co.uk

ISBN 978-1-78068-291-4  
D/2015/7849/27  
NUR 801

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British Library Cataloguing in Publication Data. A catalogue record for this book is available from the British Library.

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# FOREWORD

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Groups of companies are an important economic reality but their governance (and legal structure) remains under-developed at the Belgian as well as at the European level. Not only is there a need to look more closely into the governance of multinational corporations, but their subsidiaries also deserve special attention. We should not forget that many corporations encompass thousands of subsidiaries. Governance at the subsidiary level also deserves more attention, certainly in a country like Belgium, which is often referred to as a country of subsidiaries! Corporate directors and governance service firms regularly witness the struggles of multinational groups in complying with local standards. Obviously organisational lines often do not follow local legal concepts. While local legal requirements are often felt to be a minor compliance issue, it is our belief that groups could benefit from enhanced board involvement with their subsidiaries' governance. Moreover, our research advocates that the organisational and legal structures of groups need not necessarily conflict.

GUBERNA, the Belgian Governance and Directors' Institute, took the initiative in launching a reflection on "internal governance" within corporate groups. With the support of Ageas, Deloitte and Laga, GUBERNA created in 2008 the "Centre Internal Governance" with the aim to raise governance awareness at the level of corporate groups, their subsidiaries and directors. Besides research on internal governance, the Centre Internal Governance organised a series of Round Tables with national and international experts, such as Prof. dr. Marcus Alexander (London Business School), Prof. dr. Bruno Colmant (Université Catholique de Louvain-la-Neuve, Vlerick Business School, Roland Berger Strategy Consultant), dr. Veerle De Vuyst (National Bank of Belgium), Prof. dr. J. Hans Strikwerda (University of Amsterdam, Nolan Norton Institute), Prof. dr. Louis-Henri Verbeke (Vlerick Business School), Prof. dr. Eddy Wymeersch (Gent Universiteit, European Corporate Governance Institute) and Stilpon Nestor (Nestor Advisors), whose expertise contributed to the valuable content and exchange of the seminars, as well as practitioners in the field of "internal governance".

This publication is the fruit of these years of research and exchange of experiences. Since there are today no "codes of best practice" for internal governance we had to rely on governance literature, governance experts and our own research to develop a number of basic principles of internal governance within corporations. These concepts have been further complemented by concrete governance practices, based on testimonials of CEOs and directors of subsidiaries and parent companies. This

combination allows us to develop a number of best practices and opportunities, as well as point out the main challenges and red flags.

GUBERNA is very grateful to its long-standing partners: Deloitte, Laga and Ageas. Thanks to their financial and content support, this endeavour has been brought to a successful conclusion. Many thanks also go to Hnia Ben Salah for the professional leadership of the GUBERNA cycle of Round Tables on internal governance. Moreover, she contributed to the realisation of this publication. However, this dossier would not have come into existence were it not for the extra support of one of our members, Prof. dr. ir. Luc Sterckx. His academic and governance experience in multinational corporations and subsidiaries was clearly of great value in complementing this publication. Many thanks to all of you for making this pioneering project such a pleasure to lead!

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