

Report on the application of the Corporate Governance rules

131

Corporate Governance

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Introduction

This report presents the application in 2008 of the Solvay group's Corporate Governance rules. It presents the application of the recommendations of the Belgian Corporate Governance Code in accordance with the "comply or explain" principle, as well as the changes which were introduced by Belgian law in 2008 and which will become applicable from 2009 onwards.

1. Legal and shareholding structure of Solvay SA

1.1. Solvay SA is a société anonyme (public limited liability company) created under Belgian law, having its registered office at 33, rue du Prince Albert, 1050 Brussels, Belgium. The company's by-laws can be found on the Solvay internet site: www.solvay-investors.com. Its company purpose consists of pharmaceutical, chemical and plastic activities.

1.2. Its shares are either registered, dematerialized or bearer shares (in denominations of 1, 10, 100 or 1 000 shares). Since January 1, 2008 it has no longer been possible to receive paper (bearer) shares. Bearer shares already in a securities file have automatically been converted into dematerialized shares. Additionally, the General Shareholders' Meeting of May 8, 2007 resolved that, no later than June 30, 2011, all bearer shares issued by the company and which have not been recorded on dematerialized or registered securities accounts, will be converted as of right into dematerialized shares. Shares may be converted into nominal shares, via a bank, through deposit in the Solvay SA securities file "Counterpart of registered certificates" with Euroclear Belgium.

At December 31, 2008, the capital of Solvay SA was represented by

84 701 133 shares, including 2 567 568 shares held by Solvay SA via its Solvay Stock Option Management (SSOM) sub-subsidiary to cover the stock option program (further details under 2.1. "Company capital"). Each share entitles its holder to one vote whenever voting takes place (except for the shares held by SSOM, the voting rights for which are suspended). All shares are equal and common.

The share is listed on the NYSE Euronext Brussels. Solvay's share price is also included in several indexes:

- Euronext 100, consisting of the leading 100 European companies listed on NYSE EURONEXT, where Solvay ranks in 62nd place (0.4% of the index) (at December 31, 2008).
- The BEL 20 index, based on the 20 most significant shares listed on Euronext Brussels. At December 31, 2008, Solvay represented around 5.8% of the value of this index (7th place in this index). Solvay shares are included in the 'Chemicals - Specialties' category of the Euronext Brussels sectoral index.
- The DJ Stoxx, DJ Euro Stoxx, FTSE 300, FTSE4Good, MSCI and other indexes.

Since February 15, 2007, and for a one year period, tacitly renewable, Solvay Stock Option Management SPRL has mandated the bank Rothschild & Cie., under a liquidity contract, to improve the liquidity of the share on Euronext Brussels. This mandate remained in place in 2008.

In the USA, shareholders can acquire Solvay shares in the form of ADRs (American Depositary Receipts) under a program (no. 834437-10-5) sponsored by Solvay SA and managed by J.P. Morgan Chase & Co (New York). These ADRs are not listed in the USA. One ADR represents one share and entitles its holder to vote on the basis of the underlying share.

1.3. Solvay SA's main shareholder is Solvac SA, a registered company which at January 1, 2009 held a little over 30% of capital and voting rights in Solvay. Solvac SA has filed the transparency declarations that are required for shareholdings exceeding the thresholds of 3 and 5% (and multiples thereof). It has also made the notifications required by law with regard to public purchase bids. Solvac SA is a société anonyme established under Belgian law and listed on Euronext Brussels. Its shares, all of which are registered, may be held by physical persons only. The very large majority (around 80%) of its capital is held by members of the Solvay SA founder families.

On September 3 2008, the Axa Group declared that it held a little over 10% of the shares, via three of its subsidiaries, (AllianceBernstein, AXA Rosenberg and AXA Investment Managers)*.

In addition, just over 3% of the shares are held by Solvay Stock Option Management SPRL (SSOM) to cover the Solvay stock options program.

The latest transparency declarations relating to these various shareholdings are available on the internet site www.solvay-investors.com.

The remaining shares are held by:

- individual shareholders who hold shares directly in Solvay SA. None of these persons, either individually or in concert with others, reaches the 3% transparency declaration threshold;
- European and international institutional shareholders, whose number and growing interest can be measured by the intensity of contacts at the many roadshows, by the regular publication of analysts' reports and by the significant increase in trading volumes over recent years (an average daily trading volume of 368 000 shares in 2008 and 226 000 shares in 2007).

* AllianceBernstein and its subsidiaries, which held around more than 8%, fell below the 3% threshold on March 5, 2009.

The company has been informed that certain individual shareholders have decided to arrange to consult together when questions of particular strategic importance are submitted by the Board of Directors to the Shareholders' Meeting. Each of these shareholders remains, however, free to vote as he chooses.

1.4. At the May 2007 and May 2008 Shareholders' Meetings, shares were deposited and votes cast in respect of an average 45% of Solvay SA's capital.

2. Capital and dividend policy

2.1. Policy in respect of capital

2.1.1. Since being converted into a société anonyme and listed on the Stock Exchange in 1969, the company has not made public calls for capital from its shareholders, instead self-financing out of its profits, only a portion of which are distributed (see "Dividend policy" below).

2.1.2. In December 1999 the company introduced a new annual stock option program for Group executives worldwide. This program is covered by own shares purchased by Solvay SA on the stock exchange.

Since January 2007, the covering program has been taken care of by Solvay Stock Option Management SPRL, a sub-subsidiary of Solvay SA. Authorizations of this covering program have been granted several times by Extraordinary Shareholders' Meetings for 18-month periods each time for purchases by Solvay SA itself. The renewal of this authorization was approved by the Extraordinary Shareholders' Meeting of May 13, 2008.

At December 31, 2008 the holding of its own shares by Solvay SA via SSOM represented 3.0% (2 567 568 shares) of the company capital.

The most recent annual program of stock options (exercisable from January 1, 2012 to December 10, 2016) was offered at the end of 2008 to around 300 Group executives, at an exercise price of EUR 58.81 per share. This price represents the average closing price of the Solvay share on Euronext during the 30 days preceding the offering of options. 96.9% of these stock options were accepted by these executives.

In 2008, stock options representing a total of 66 120 shares were exercised (it should be noted that options are in principle exercisable over a period of

5 years after being frozen for 3 years). The total number of stock options exercised break down as follows:

- 1999 stock option plan: 434 800 shares
- 2000 stock option plan: 477 060 shares
- 2001 stock option plan: 388 450 shares
- 2002 stock option plan: 318 100 shares
- 2003 stock option plan: 205 500 shares
- 2004 stock option plan: 12 700 shares

Voting and dividend rights attached to these shares are suspended as long as they are held by the company.

2.1.3. Article 523 of the Companies' Code

At its December 11, 2008 meeting, the Board of Directors implemented its annual stock option plan in favour of around 300 Group executives of which the Members of the Executive Committee.

These include Mr. Christian Jourquin and Mr. Bernard de Laguiche, who are also directors. The latter persons therefore declared their situation and abstained, for ethical reasons, from the deliberations of the Board of Directors that concerned them with respect to stock options.

Stock option plans

Issue date	Exercise price (in EUR)	Exercise date	Acceptance rate
1999	76.14	02/2003-12/2007	99.2%
2000	58.21	02/2004-12/2008	98.9%
2001	62.25	02/2005-12/2009	98.6%
2002	63.76	02/2006-12/2010	98.4%
2003	65.83	02/2007-12/2011	97.3%
2004	82.88	02/2008-12/2012	96.4%
2005	97.30	02/2009-12/2013	98.8%
2006	109.09	02/2010-12/2014	97.2%
2007	96.79	01/2011-12/2015	97.6%
2008	58.81	01/2012- 12/2016	96.9%

* Increased to 8 years in the case of the 1999 to 2002 Stock Options Plans, for beneficiaries in Belgium.

The Board of Directors noted their declaration of abstention, deeming that their participation in this plan fell under Article 523 §3.2 of the Companies' Code covering habitual operations undertaken at normal market conditions and under normal market guarantees for operations of the same type. Mr. Christian Jourquin and Mr. Bernard de Laguiche accepted 25 000 and 18 000 options respectively.

2.1.4. In 2003 the company decided not to renew the "poison pill" defensive warrants that allowed it to oppose any hostile takeover bid through a capital increase of 24 million new shares reserved for four allied companies, including Solvac SA. It has, however, retained the ability to buy back up to 10% of its own shares on the stock market in the event of a threat of serious and imminent damage, such as, for example, a hostile public takeover bid. This system was renewed in May 2008 for a three-year period by an Extraordinary Shareholders' Meeting of the company.

2.1.5. The company's by-laws contain so-called "authorized capital" provisions empowering the Board of Directors to increase the capital of the company by up to EUR 25 million. During the past five years this right has been used only to cover the former stock option scheme.

2.2. Dividend policy

2.2.1. Board policy is to propose a dividend increase to the Shareholders' Meeting whenever possible, and as far as possible, never to reduce it. This policy has been followed for very many years. The graph below illustrates the application of this policy over the past 20 years.

2.2.2. The annual dividend is paid in two instalments, in the form of an advance payment (interim dividend) and a payment of the balance. In October 2006 the Board of Directors decided to change the way the advance payment is set.

From 2006 onwards this method includes a guidance of 40% (rounded) of the total previous year's dividend,

and takes into account the results for the first nine months of the current year.

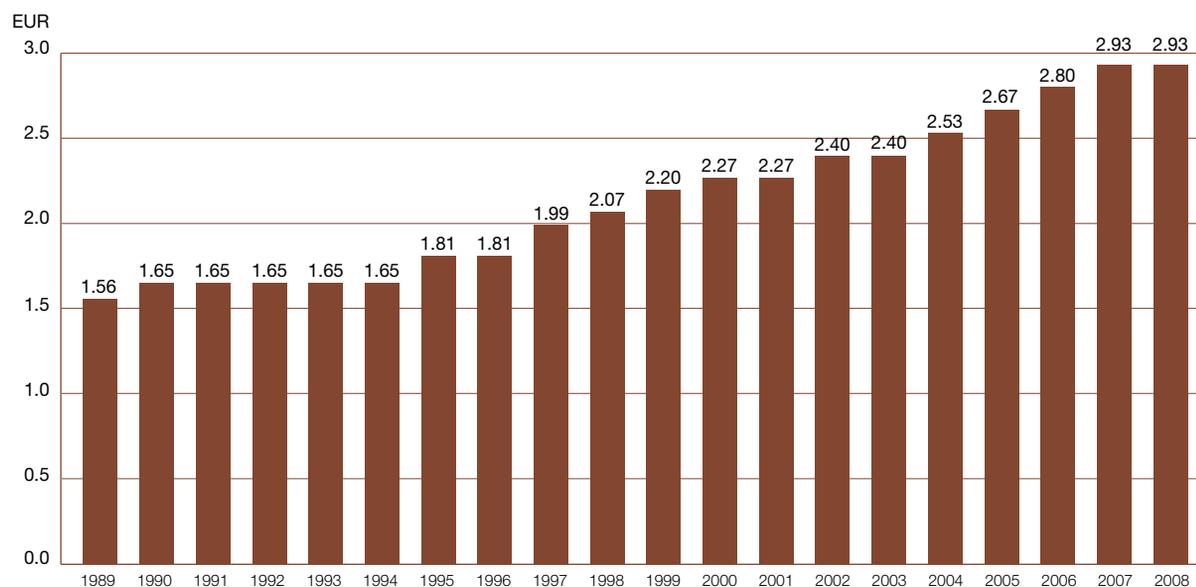
In this way, for 2008, an interim dividend of EUR 0.90 net per share (EUR 1.20 gross before Belgian withholding tax at 25% in full discharge) was approved by the Board of Directors on October 29, 2008.

This interim dividend (coupon no. 83), which was paid on January 15, 2009, is to be offset against the total dividend for 2008, which was proposed by the Board of Directors on February 18, 2009.

As to the balance, once the annual financial statements have been completed, the Board of Directors proposes a dividend, in accordance with the policy described above, which it submits to the Ordinary Shareholders' Meeting for approval. The second dividend instalment, i.e. the balance after deducting the advance payment, is payable in May.

The net dividend for 2008 proposed to the General Shareholders' Meeting

Solvay dividend (gross) from 1989 to 2008 (in EUR)



of May 12, 2009 is EUR 2.20 net per share (EUR 2.9333 gross per share), unchanged from 2007. Given the advance dividend payment made on January 15, 2009 (EUR 0.90 net per share – coupon no. 83), the balance of EUR 1.30 net per share will be payable from May 19, 2009 (coupon no. 84).

2.2.3. Shareholders who have opted to hold registered shares receive the advance dividend and the balance of the dividend automatically and free of charge by transfer to the bank account they have indicated, on the dividend payment date.

Shareholders owning bearer or dematerialized shares receive their dividends via their banks or as they elect and arrange.

Coupons representing the advance dividend and dividend balance are payable at the banking institutions below, with which the company has established payment procedures:

Centralizing paying agent:

- Fortis Bank SA,
Montagne du Parc 3
1000 Brussels (Belgium)

Other paying agents:

- ING Belgium South West Europe,
Cours Saint Michel 60
1040 Brussels (Belgium)
- KBC Bank SA, Havenlaan 2
1080 Brussels (Belgium).

Dividends in respect of ADRs are payable by Morgan ADR Service Center, P.O. Box 8205 – USA-Boston, MA 02266-8205.

2.2.4. The company does not have any reduced-tax VVPR shares, given that almost its entire capital was issued before the introduction of this pro-dividend tax regime. The company has not, up to this point, proposed optional dividends to its shareholders, i.e. stock instead of cash dividends, as this option does not offer in Belgium any tax or financial benefit to make it attractive to investors.

3. Shareholders' meetings

3.1. Place and date

The company's annual Ordinary Shareholders' Meeting is held on the second Tuesday of May at 14:30 in the Auditorium, 44 rue du Prince Albert, Ixelles.

The Board tries to organize any necessary Extraordinary Shareholders' Meeting immediately before or after the annual Shareholders' Meeting. The next Ordinary and Extraordinary Shareholders' Meetings will therefore be held on Tuesday May 12, 2009 starting at 14:30.

3.2. Agenda

The Shareholders' Meeting is convened by the Board of Directors, which also sets its agenda. Shareholders may, however, request the calling of a Shareholders' Meeting and/or the addition of an item to the agenda where those shareholders together represent 20% of the capital, as required by Belgian law. In this case, their request is mandatorily granted.

If these shareholders represent less than 20% of the capital, their request must be sent in good time to the Board of Directors which will be the sole judge of whether or not to accede to it. Where the request is submitted in good time by shareholders together representing more than 5% of the capital and consists of adding an item to the agenda of an already-planned shareholders' meeting, this request will be taken into consideration unless it is harmful to the interests of the company.

The agenda of the Annual Ordinary Shareholders' Meeting as a rule includes the following items:

- the Board of Directors' and the

auditor's reports on the financial year;

- the Corporate Governance report for the financial year;
- the consolidated financial statements for the year;
- approval of the annual financial statements;
- setting the dividend for the year;
- discharge of the directors and the statutory auditor in respect of the financial year;
- setting the number of directors and of independent directors, the length of their terms of office and the rotation of renewals;
- election of directors and of the external auditor (renewals or new appointments);
- setting of directors' fixed compensation and attendance fees for their work in the Board of Directors or on the Committees (only in the case of changes);
- setting the auditor's annual fee for the external audit for the duration of the auditor's appointment; and
- approval of change of control clauses in significant contracts (e.g. joint ventures).

Extraordinary Shareholders' Meetings are required in particular for all matters affecting the content of the company's by-laws.

Every time the Board of Directors prepares a special report in advance of an Extraordinary Shareholders' Meeting, this special report is enclosed with the notice of the meeting and is published on the company's internet site.

3.3. Procedure for calling meetings

The notices convening Shareholders' Meetings contain the place, the date and the time of the meeting, the agenda, the reports, proposed resolutions on each item to be voted on, and the procedure for taking part in the meeting or for appointing proxies. Holders of registered shares receive

notice of the meeting by mail at the address they have given, including notification of participation and proxy forms. Persons owning bearer or dematerialized shares are notified of meetings by announcements in the Belgian press. These notices of meetings are published in the official Belgian gazette (Moniteur Belge/ Belgisch Staatsblad) and in Belgium's French and Dutch-language financial newspapers (L'Echo and De Tijd). The major banks established in Belgium also receive the necessary documentation to pass on to Solvay shareholders among their clients.

3.4. Blocking of shares and appointment of proxies

Belgian legislation provides for the temporary blocking of shares to enable the company to identify with certainty the shareholders authorized to vote at the Shareholders' Meeting. The company has not opted for the optional registration date system.

3.4.1. For holders of registered shares, shares are blocked automatically to the extent that their rights are represented by an entry in the shareholders' register held by the company itself or for its account. All that is required is for them to send either their notification of participation or proxy form to the company's General Secretariat. In both cases, documents must reach the company five working days before the Shareholders' Meeting for the shareholder to be permitted to vote.

3.4.2. For holders of bearer or dematerialized shares, the procedure is not automatic and the shareholder must block his shares until the Shareholders' Meeting, either with his bank, which will advise the General Secretariat, or at the company's registered office. Notice of blocking must be in the hands of the General Secretariat five working days before the Meeting for the shareholder to be entitled to vote. Similarly, a

shareholder wishing to be represented by another party must also send a proxy form that reaches the General Secretariat at least five working days before the Meeting.

3.4.3. The exercise of voting rights attached to shares that are jointly owned or the usufruct and bare property rights of which have been separated, or shares belonging to a minor or a legally incapacitated person, follows special legal and statutory rules, a common feature of which is the appointment of a single representative to exercise the voting right. Failing this, the voting right is suspended until such appointment.

3.4.4. When a proxy is appointed, this proxy must be a shareholder himself for the appointment to be valid (with certain exceptions, i.e. a spouse or legal persons).

The company will count proxy votes in accordance with the mandating party's instructions. Where the proxy wishes to modify the instruction in a mandate during the course of the Shareholders' Meeting, the proxy must state this expressly, on his or her responsibility, at the time of the vote.

Blank proxy forms are treated as positive votes unless otherwise stated by the proxy at the time of the vote. Invalid proxy forms are excluded from the count. Abstentions formally expressed as such during a vote or on proxy forms are counted as such.

3.5. Procedure

3.5.1. The Shareholders' Meeting is chaired by the Chairman of the Board or, in his absence, by the Vice-Chairman.

The Chairman will preside over the discussions following Belgian practice for deliberative meetings. He will take care to ensure that questions from the Meeting are answered, whilst respecting the agenda and confidentiality commitments. He

will appoint the tellers as well as the secretary of the meeting, who as a rule is the Corporate Secretary.

3.5.2. Resolutions in Ordinary Shareholders' Meetings are passed by a simple majority of votes of shareholders present and represented on a "one share, one vote" basis.

3.5.3. In the case of Extraordinary Shareholders' Meetings, the law requires a quorum (including proxies) of 50% of the capital, failing which a new Shareholders' Meeting must be convened, which may deliberate even if a quorum has still not been achieved.

Additionally, resolutions need to be passed by qualified majorities, in most cases of at least 75% of votes cast.

3.5.4. Voting is, as a general rule, public, by show of hands or by electronic voting. Votes are counted and the results announced immediately. Provision is made for secret balloting in exceptional cases when a particular person is involved.

This procedure has never been requested until now. This by-law was amended at the Extraordinary Shareholders' Meeting of May 9, 2006 so as to set a threshold of 1% of capital to be reached by one or more shareholders acting in concert, and only when there is more than one candidate for a given office.

The minutes of the Shareholders' Meeting are drawn up and adopted by shareholders at the end of the meeting. They are signed by the Chairman, secretary, tellers and those shareholders who wish to do so. Minutes of Extraordinary Shareholders' Meetings are notarized.

3.5.5. Minutes of the most recent Shareholders' Meetings are published on the company's internet site (www.solvay-investors.com). Copies or official extracts may be

obtained on request by shareholders, in particular under the signature of the Chairman of the Board.

3.6. Documentation

Documentation relating to Shareholders' Meetings (notice of meeting, agenda, proxy and notification of participation forms, special report of the Board of Directors, etc.) is available every year on the Internet site www.solvay-investors.com. This documentation is available in French and Dutch (official versions) and in English (unofficial translation).

4. Board of Directors

4.1. Role and mission

The Board of Directors is the highest management body of the company. The law accords to it all powers which are not attributed, by law or by the by-laws, to the Shareholders' Meeting.

In the case of Solvay SA, the Board of Directors has reserved certain key areas for itself and has delegated the remainder of its powers to an Executive Committee (see below). It has not opted to set up a Management Committee (Comité de Direction/ Directiecomité) as defined by Belgian law.

The main key areas which the Board of Directors has reserved for itself are:

1. Matters for which it has exclusive responsibility, either by law or under the by-laws, for example:
 - the preparation and approval of the consolidated periodical financial statements and those of Solvay SA (quarterly - consolidated only, half-yearly and annual) and the related communications;
 - adoption of accounting standards (in this case the IFRS standards for the consolidated accounts and Belgian standards for the Solvay SA unconsolidated accounts);
 - convening Shareholders' Meetings and drawing up the agenda and proposals for resolutions to be submitted to them (concerning, for example, company financial statements, dividends, amendments to the by-laws, etc.).
2. Setting the main policies and general strategic directions of the Group.
3. Adopting the budget and longterm plan, including investments, R&D and financial objectives.
4. Appointing the Chairman and members of the Executive Committee and the Corporate Secretary, and setting their missions and the extent of the delegation of powers to the Executive Committee.
5. Supervision of the Executive Committee and ratification of its decisions, where required by law.
6. Appointing from among its members a Chairman and a Vice-Chairman, and creating from among its members an Audit Committee, a Compensation and Appointments Committee and a Finance Committee, defining each Committee's mission and determining its composition and its duration.
7. Major decisions concerning acquisitions, divestitures, the creation of joint ventures and investments. Major decisions are considered to be those involving amounts of EUR 50 million or more.
8. Setting the compensation of the Chairman of the Executive Committee, of Executive Committee members and of General Managers belonging to the Office of the Executive Committee.

9. Establishing internal Corporate Governance and Compliance rules.

In all matters for which it has exclusive responsibility, the Board of Directors works in close cooperation with the Executive Committee, which in particular is responsible for preparing most of the proposals for decisions by the Board of Directors.

4.2. Modus operandi and representation

4.2.1. Board Members have available to them the information needed to carry out their functions in the form of dossiers drawn up under instructions from the Chairman and sent out to them by the Corporate Secretary several days before each session. They may also receive additional information of any kind that may be of use to them from, depending on the nature of the question, the Chairman of the Board, the Chairman of the Executive Committee or the Corporate Secretary.

Decisions to obtain outside expertise, when necessary, are taken by the Board of Directors, for those subjects falling within its authority.

4.2.2. The company is validly represented with regard to third parties by the joint signature of persons with the following capacities: the Chairman of the Board of Directors and/or directors belonging to the Executive Committee. For documents relating to the day-to-day management of the company, the signature of a single director on the Executive Committee is sufficient. Powers may also be delegated on a case-by-case basis as needs arise.

4.3. Composition of the Board of Directors

4.3.1. Size & Composition

At January 1, 2009, the Board of Directors consisted of 16 members, as listed on p. 139. This number is justified by the diversified nature of the

	Year of birth	Year of 1st appointment	Solvay SA mandates, and expiry date of directorship	Diplomas and activities outside Solvay	Presence at meetings in 2008 as a function of date of appointment
Mr. Alois Michielsens (B)	1942	1990	2009 Chairman of the Board of Directors and of the Finance and Compensation/Appointments Committees	Civil engineering degree in chemistry and MA in Applied Economics (Catholic University of Louvain), Business Administration (University of Chicago) Director of Miko, Director of Fortis.	9/9
Mr. Denis Solvay (B)	1957	1997	2010 Independent Director, Vice-Chairman of the Board of Directors and Member of the Compensation/Appointments Committee	Commercial engineering degree (Free University of Brussels), Director (and Member of the Audit Committee) of Eurogentec, Director and Chairman of Abelay Holding.	9/9
Mr. Christian Jourquin (B) (*)	1948	2005	2009 Chairman of the Executive Committee, Director, member of the Finance Committee and guest of the Compensation/Appointments Committee	Commercial Engineering degree (Free University of Brussels), ISMP Harvard.	9/9
Mr. Bernard de Laguiche (F) (*)	1959	2006	2009 Member of the Executive Committee, Director and member of the Finance Committee	Commercial Engineering degree, MA in economics HSG (University of St. Gallen, Switzerland).	9/9
Baron Hubert de Wangen (F)	1938	1981	2009 Independent Director	Chemical engineering degree (Ecole Polytechnique Fédérale de Lausanne), Former Executive Director of Kowasa and non-executive Director of Jotace (Spain).	7/9
Mr. Jean-Marie Solvay (B)	1956	1991	2012 Independent Director Member of the New Business Board	CEO of Albrecht RE Immobilien GmbH&Co. KG.	9/9
Chevalier Guy de Selliers de Moranville (B)	1952	1993	2009 Independent Director Member of the Finance Committee and the Audit Committee	Civil engineering degree in mechanical engineering, and MA in Economics (Catholic University of Louvain), Executive Chairman of Hatch Corporate Finance (UK), Member of the Supervisory Board and Chairman of the Audit Committee of Advanced Metal Group (Netherlands), Director and Chairman of the Governance Committee of Wimm-Bill Dann Foods OJSC (Russia).	9/9
Mr. Nicolas Boël (B)	1962	1998	2009 Independent Director Member of the Compensation/Appointments Committee	MA in Economics (Catholic University of Louvain), Master of Business Administration (College of William and Mary – USA) Managing Director of BMF-Participations SA, Director of Sofina.	9/9
Mr. Whitson Sadler (US)	1940	2002	2011 Independent Director Chairman of the Audit Committee	Bachelor of Arts in Economics (University of the South, Sewanee – USA), Master of Business Administration Finance (Harvard), Retired General Manager of Solvay SA for the NAFTA region.	9/9
Mr. Jean van Zeebroeck (B)	1943	2002	2010 Independent Director Member of the Compensation/Appointments Committee	Doctorate of Law and diploma in Business Administration (Catholic University of Louvain), MA in Economic Law (Free University of Brussels), Master of Comparative Law (University of Michigan – USA), General Counsel of 3B Fibreglass Company.	9/9
Mr. Jean-Martin Folz (F)	1947	2002	2010 Independent Director Member of the Compensation/Appointments Committee	Ecole Polytechnique and Mining Engineer (France), Chairman of the Association Française des entreprises privées (AFEP) Director of Saint-Gobain, of Société Générale, of Carrefour and Alstom, Member of the Supervisory Board of Axa.	7/9
Mr. Karel Van Miert (B)	1942	2003	2009 Independent Director Member of the Finance Committee	MA in Diplomacy (University of Ghent), Former Competition Commissioner for the European Commission, Board member of Agfa Gevaert, the Persgroep group and Sibelco SA, member of the Supervisory Boards of Royal Philips Electronics, RWE AG, Munchner Ruck and Anglo American Vivendi Universal, Member of the Advisory Boards of Eli Lilly Holdings Ltd, and Goldman Sachs International, former Chairman of the Executive Board of the University of Nijenrode (Netherlands).	8/9
Dr Uwe-Ernst Bufe (D)	1944	2003	2009 Independent Director Member of the Finance Committee	Doctorate in Chemistry (Technical University of Munich), Member of the Supervisory Boards of UBS Deutschland AG, Akzo Nobel NV, Umicore SA, Sunpower Inc. and Kali+Salz AG.	8/9
Prof. Dr. Bernhard Scheuble (D)	1953	2006	2010 Independent Director Member of the Audit Committee	MSc, Nuclear Physics & PhD, Display Physics (Freiburg University). Former Chairman of the Executive Board of Merck KGaA, Darmstadt and former Member of the E. Merck OHG Board.	8/9
Mr. Anton van Rossum (NL)	1945	2006	2010 Independent Director Member of the Audit Committee	MA in Economics and Business Administration (Erasmus University Rotterdam), Board Member of Crédit Suisse (Zurich), Chairman of the Supervisory Board of Royal Vopak (Rotterdam), Member of the Supervisory Board of Rodamco Europe (Schiphol), Chairman of the Supervisory Board of Erasmus University Rotterdam. Trustee of the Conference Board (New York) and Special Advisor to General Atlantic (London).	8/9
Mr. Charles Casimir-Lambert (B/CH)	1967	2007	2011 Director Member of the Audit Committee	MBA Columbia Business School (New York)/London Business School (London), Master's degree (lic.oec.HSG) in economics, management and finance (University of St.Gallen – Switzerland), Supervising family interests across the world.	9/9

* Full-time activity in the Solvay group.

Group's activities and its international character.

4.3.2. During 2008, the Board of Directors was chaired by Mr. Alois Michielsens, with Mr Denis Solvay as Vice-Chairman.

At the Ordinary Shareholders' Meeting of May 13, 2008, Mr. Jean-Marie Solvay's independent directorship was renewed for a four-year term.

At the Ordinary Shareholders' Meeting of May 12, 2009, the Board of Directors will propose that the directorships of Messrs. Alois Michielsens, Christian Jourquin, Bernard de Laguiche, Nicolas Boël, Karel Van Miert and Chevalier Guy de Selliers de Moranville be renewed for four-year terms. It will also propose that the Meeting appoint as director, for four year terms, Baron Hervé Coppens d'Eeckenbrugge, to replace Baron Hubert de Wangen, who will retire in the customary manner with respect to the age limit. As the mandate of Mr. Uwe-Ernst Bufe has expired, the Board of Directors will propose an independent candidate in the calling documents for the Shareholders' Meeting of May 2009.

Terms of office and age limit

Directors are appointed by the Shareholders' Meeting for 4 years. They may be reappointed.

To avoid all directorships terminating at once, a rotation was established by lot when the company was converted into a *Société Anonyme* over 40 years ago.

The age limit for membership of the Board is the annual Shareholders' Meeting following the member's 70th birthday. In this case, the director in question resigns, and is replaced, for his remaining term of office, by a successor appointed by the Shareholders' Meeting.

Following the recommendations of the

Belgian Corporate Governance Code on the terms of directorships, the Shareholders' Meeting decided in 2005 to shorten directors' terms of office from 6 to 4 years.

4.3.3. Criteria for appointment

The Board of Directors applies the following primary criteria when proposing candidates for election to directorships by the ordinary Shareholders' Meeting:

- ensuring that a substantial majority of directors on the Board are non-executive. At January 1, 2009, 14 out of 16 directors were non-executive, and two belonged to the Executive Committee (Mr. Christian Jourquin and Mr. Bernard de Laguiche);
- Belgian law and the by-laws of the company permit spontaneous candidacies for the post of director. These must be addressed to the company in writing at least 30 days before the ordinary Shareholders' Meeting. Exercise of this right is not encouraged;
- ensuring that a large majority of non-executive directors are independent according to the criteria, defined by law and further tightened by the Board of Directors (see "criteria of independence" below). In this respect, the independent status of 12 out of 14 non-executive directors has been recognized by the ordinary Shareholders' Meeting;
- ensuring that the members of the Board of Directors together reflect the shareholder structure and possess the wide range of competences and experience required by the Group's activities;
- ensuring that the Board of Directors' international composition appropriately reflects the geographic extent of its activities. At January 1, 2009 the Board included members of six different nationalities;
- ensuring that the candidates it presents commit to devoting sufficient time to the task entrusted to them. In this respect, attendance at Board Meetings was very high in 2008;

- ensuring, finally, that it does not select any candidate holding an executive position in a competing company or who is or was involved in the external audit of the Group.

The Chairman of the Board gathers the information allowing the Board of Directors to verify that the selected criteria have been met at the time of appointment, renewal and during the term of office.

4.3.4. Criteria for independence

Based on Belgian law, the Board of Directors sets the criteria for determining directors' independence. Each director fulfilling these criteria is presented to the ordinary Shareholders' Meeting for confirmation.

The Board has chosen to apply in particular the following criteria:

- to be viewed as independent, a director may not have exercised a significant executive function within the Solvay group or have been an executive or non-executive director of Solvac SA during the past three years at least. In this respect the Board of Directors is stricter than the law, which sets a limit of only two years. According to this criterion, Mr. Christian Jourquin and Mr. Bernard de Laguiche, as members of the Executive Committee, are not independent. Mr. Alois Michielsens, having been Chairman of the Executive Committee of Solvay until May 9, 2006, is not recognized as independent. The case of Mr. Charles-Casimir Lambert is set out below. He is not considered as independent. On the other hand, the executive position of Mr. Denis Solvay at the Mutuelle Solvay, the almost exclusive role of which consists of holding the Fortis and Sofina shareholdings, has not been considered sufficiently significant to jeopardize his independence in matters relevant to the Board of Directors of Solvay SA;

- being a non-executive director of a local Group holding or administrative company has not been considered as an obstacle to independence. This is the case of Mr. Whitson Sadler, who remains a non-executive director of Solvay America, Inc., the principal role of which is to house functional services shared by subsidiaries in the US. These local services are not matters falling within the remit of the Board of Directors. They do not therefore affect Mr. Whitson Sadler's independence in matters falling within the remit of the Board of Directors, nor his role on the Audit Committee;
- a director who is a major shareholder is not considered as being independent. The law considers a shareholding to be significant when it reaches or exceeds 10%. This is the case of Solvac SA, of which Mr Charles Casimir-Lambert was a Director until May 2007. No director holds more than 1% of Solvay shares;
- finally, to be viewed as independent, a director may not have business or other relations with the Solvay group, for example as a customer or supplier, the nature or size of which could potentially affect the independence of his judgment. In this respect, the fact that PSA is a customer of the Inergy joint venture in the fuel systems field has not been considered as potentially affecting the independence of judgment of Mr. Jean-Martin Folz (former Chairman of the Board of PSA).
- The same applies to Mr. Uwe-Ernst Bufe as a Director of Umicore, a company with which Solvay has formed a joint venture in the field of research, the size of which is not significant.

At January 1, 2009, 12 out of 16 directors fulfilled the criteria of independence, as confirmed by a vote of the ordinary Shareholders' Meeting of May 13, 2008.

In future, the criteria of independence will be more strictly regulated by new legal provisions that will come into force at the time of renewals or new appointments, and no later than July 1, 2011. These legal criteria, as defined by the law of 17 December 2008 (art. 16), will be as follows:

1. During five years prior to appointment, not to have exercised a mandate of executive member of the managing body or a function of member of the executive committee or day-to-day executive manager, either in the company, or in a company or person affiliated to it within the meaning of article 11 of the Companies' Code;
2. Not to have sat on the board of directors in the capacity of a non-executive director for more than three successive terms of office or more than twelve years;
3. During three years prior to appointment, not to have been part of the senior management, within the meaning of article 19.2 of the law of September 20, 1948 on the organization of the economy, of the company or of a company or person affiliated to it within the meaning of article 11 of the Companies' Code;
4. Not to be in receipt of, or to have received, compensation or any other significant benefit of a patrimonial nature from the company or from a company or person affiliated to it within the meaning of article 11 of the Companies' Code, with the exception of any profit percentages (*tantièmes*) or fees received in the capacity of non-executive member of the management body or a member of the supervisory body;
5. a) Not to hold any ownership rights in the company representing a tenth or more of the capital, or the company equity, or a category of shares of the company;
b) Where the person in question holds ownership rights of under 10%:
 - a) When these ownership rights are added to those held in the same company by companies over which the independent director has control, these ownership rights may not reach one tenth of the capital, of the company equity, or a category of shares of the company;
or
 - b) The use of these shares or the exercise of the rights attached to the same may not be subject to contract stipulations or to unilateral commitments to which the independent member of the management body has subscribed;
 - c) Not to represent in any way a shareholder fulfilling the conditions of the present item;
6. Not to maintain, or to have maintained during the past financial year, a significant business relationship with the company or with a company or person affiliated to it within the meaning of article 11 of the Companies' Code, either directly or in the capacity of partner, shareholder, member of the management body or of member of senior management, within the meaning of article 19.2 of the law of September 20, 1948 on the organization of the economy, of a company or a person maintaining such relationship;
7. Not to have been, during the past three years, a partner or salaried employee of the present or previous external auditor of the company or of a company or person affiliated with it within the meaning of article 11 of the Companies' Code;
8. Not to be an executive member of the management body of another company in which an executive director of the company acts as a non-executive member of the management body or member of the supervisory body, nor to maintain other major connections with the executive directors of the company as a result of functions exercised in other companies or bodies;

9. Not to have, either within the company or within a company or a person affiliated to it within the meaning of article 11 of the Companies' Code, a spouse or legally cohabiting partner, or parents or relations up to the second degree of kinship exercising a mandate of member of the management body, of member of the executive committee, of day-to-day executive manager or of member of senior management, within the meaning of article 19.2 of the law of September 20, 1948 on the organization of the economy, or falling under one of the other cases defined in items 1 to 8.

4.3.5. Appointment, renewal, resignation and dismissal of Directors

The Board of Directors submits directors' appointments, renewals, resignations or dismissals to the ordinary Shareholders' Meeting for approval, after first seeking the opinion of the Compensation and Appointments Committee, which is tasked with defining and assessing the profile of any new candidate in respect of the criteria of appointment and of specific competences set by itself. The ordinary Shareholders' Meeting decides on proposals made by the Board of Directors in this area by a simple majority.

When a directorship becomes vacant during a term of office, the Board of Directors may appoint a new member, subject to ratification by the next following Ordinary Shareholders' Meeting.

4.3.6. Frequency, preparation and holding of Board meetings

The Board of Directors met nine times in 2008 (five ordinary and four extraordinary meetings). Five ordinary meetings are planned in 2009.

The dates of ordinary meetings are set by the Board of Directors itself, more than one year before the start of the financial year. Additional meetings

can, if needed, be called by the Chairman of the Board of Directors, after consulting with the Chairman of the Executive Committee.

The agenda for each meeting is set by the Chairman of the Board of Directors after consulting with the Chairman of the Executive Committee. The Corporate Secretary is charged, under the supervision of the Chairman of the Board of Directors, with organizing meetings, and sending notices of meetings, agendas and the dossier containing the item-by-item information required for decision-making. To the extent possible, he ensures that directors receive notices of meetings and complete files at least five days before the meeting.

The Corporate Secretary prepares the minutes of the Board Meetings, presenting the draft to the Chairman and then to all members. Finalized minutes that have been approved at the following Board meeting are signed by all directors having taken part in the deliberations.

The Board of Directors takes its decisions in a collegial fashion by a simple majority of votes. Certain decisions that are considered particularly important by the company's by-laws require a three-quarters majority. The Board may not validly transact its business unless half of its members are present or represented. Given the very high level of attendance, the Board of Directors has never been unable to transact its business.

4.4. Evaluation and Training

4.4.1. Evaluation

Between the end of 2006 and the 1st quarter of 2007 the Board of Directors reviewed its own composition, *modus operandi* and the composition and *modus operandi* of the committees created by it. Board members were invited to express their views on

these various points based on a questionnaire drawn up with the help of the Belgian Governance Institute, now under the name of GUBERNA. The Chairman of the Board of Directors has taken note of the results of this review. The next review will take place during 2010.

4.4.2. Training

An induction program is provided for new Directors, aimed at acquainting them with the Solvay group as fast as possible. The program includes a review of the Group's strategy and its three sectors of activity and of the main challenges in terms of growth, competitiveness and innovation, as well as finance, research & development directions, human resources management, the legal context and the general organization of operations.

This program is open to every Director who wishes. It also includes a visit to an industrial or research site.

4.5. Committees

4.5.1. Rules common to the various Committees

- The Board of Directors has set up three specialized Committees: the Audit Committee, the Finance Committee and the Compensation and Appointments Committee.
- These Committees do not have decision-making powers. They are advisory in nature and report to the Board of Directors, which takes the decisions. They are also called on to give opinions at the request of the Board of Directors or Executive Committee. After presentation to the Board of Directors, the Committees' reports are attached to the minutes of the next following Board meeting.
- All terms of office on the three Committees are for two years. They are renewable.
- Committee members (except for Executive Committee members) receive separate compensation for this task.

4.5.2. The Audit Committee

At January 1, 2009, the Audit Committee was composed of Mr. Whitson Sadler (Chairman), Chevalier Guy de Selliers de Moranville, Mr. Bernhard Scheuble, Mr. Anton van Rossum and Mr. Charles Casimir-Lambert. All are independent non-executive directors, with the exception of Mr. Charles Casimir-Lambert (non-executive, non-independent). The Secretariat is provided by a member of the Group's internal legal staff.

This Committee met four times in 2008, each time before a Board meeting scheduled to consider the publication of periodical results (quarterly, half-yearly, annual). Participation in Audit Committee meetings was a very high 100%.

The Audit Committee oversees the internal control of Group and Solvay SA accounting, checking in particular its reliability and compliance with legal and internal accounting procedures. Its mission has been set out in an internal "Terms of Reference" document (see Annex 1). This mission will be reviewed in 2009 to integrate the requirements of the legal mission instituted by the Belgian law of December 17, 2008.

At each meeting, the Audit Committee hears reports from the General Manager for Finance (Mr. Bernard de Laguiche), the Head of the Internal Audit Department (Mr. Thierry Duquenne) and of the Auditor in charge of the External Audit (Deloitte, represented by Mr. Michel Denayer). It also examines the quarterly report of the Group's Legal Competence Centre on significant ongoing legal disputes and reports on tax and intellectual property disputes. It meets alone with the auditor in charge of the external audit whenever it deems such meetings useful. The Chairman of the Executive Committee (Mr. Christian Jourquin) is invited, once a year, to discuss the

major risks to which the Group is exposed.

4.5.3. The Finance Committee

At January 1, 2009 the Finance Committee consisted of Mr. Aloïs Michielsens (Chairman), Mr. Christian Jourquin (Chairman of the Executive Committee) and Mr. Bernard de Laguiche (Member of the Executive Committee and General Manager for Finance) and three non-executive, independent directors, Messrs. Karel Van Miert, Uwe-Ernst Bufe and Chevalier Guy de Selliers de Moranville.

The Corporate Secretary, Mr. Jacques Lévy-Morelle, acts as secretary to the Committee. This Committee met four times in 2008. Participation of members of the Finance Committee was a very high 88%. The Committee gives its opinion on financial matters such as the amounts of the interim and final dividends, the levels and currencies of indebtedness in the light of interest rate developments, the hedging of foreign exchange and energy risks, the content of financial communication, etc. It prepares the press releases announcing the quarterly results. It may also be called on to give opinions on Board policies on these matters.

4.5.4. The Compensation and Appointments Committee

At January 1, 2009, this Committee consisted of Mr. Aloïs Michielsens (Chairman) and four independent, non-executive directors, Messrs. Jean van Zeebroeck, Nicolas Boël, Denis Solvay and Jean-Martin Folz. Mr. Christian Jourquin is invited as Chairman of the Executive Committee. Mr. Daniel Broens, the Group's General Manager Human Resources, reports to the Committee and acts as secretary. The Committee met twice in 2008. Participation of the members of the Compensation and Appointments Committee was very high (90%). The Committee gives its opinion on appointments to the

Board of Directors (Chairman, Vice-Chairman, new members, renewals and Committees) to Executive Committee positions (Chairman and members) and to General Manager positions. In the area of compensation, it advises the Board of Directors on compensation policy and compensation levels for members of the Board of Directors, the Executive Committee and General Management. It also gives its opinion to the Board of Directors and/or Executive Committee on the Group's main compensation policies (including stock options).

In future the Committee will also prepare the report on compensation required, from 2010 onwards, by a draft new provision of Belgian law to be inserted into art. 96 of the Companies' Code. This report will be put to the vote of the Ordinary General Meeting starting on 2011.

4.6. Compensation

4.6.1. General principles

Directors of Solvay SA are compensated with fixed emoluments, the common basis of which is set by the ordinary Shareholders' Meeting, and any supplement thereto by the Board of Directors on the basis of article 27 of the by-laws. Directors do not receive any variable compensation linked to results or other performance criteria. They are not entitled to stock options, nor to any supplemental pension scheme.

4.6.2. Compensation

The compensation policy applied to members of the Board of Directors and its Committees, as well as the application of this policy in 2008, are detailed in Chapter 6 below.

4.6.3. Expenses

The company reimburses directors' travel and subsistence expenses for meetings and while exercising their Board and Board Committee functions. The Chairman of the Board of Directors is the sole non-executive

director having permanent logistics support (office, secretariat, car). The other non-executive directors receive logistics support from the General Secretariat as and when needed. The company also carries customary insurance policies covering the activities of Board Members in carrying out their duties.

5. Executive Committee

5.1. Role and Mission

5.1.1. The Board of Directors defines the role and mission of the Executive Committee. The main discussion and decisions on this subject date back to December 14, 1998. There have been no significant changes since then.

5.1.2. The Executive Committee, as a group, has been assigned the following main tasks by the Board of Directors:

- day-to-day management of the company is delegated to it;
- it ensures that the company, its subsidiaries and its affiliates

are properly organized, through the choice of members of their governing bodies (boards of directors, etc.);

- it appoints senior managers (except to those functions where the decision lies with the Board of Directors);
- it supervises subsidiaries;
- it has delegated authority from the Board of Directors for investment and divestiture decisions (including acquisitions and sales of know-how) up to a ceiling of EUR 50 million. At each meeting, the Board of Directors is informed of and ratifies the Executive Committee's decisions and recommendations in respect of investments of between EUR 3 and 50 million for the immediately preceding period;
- it sets Group policies, except for the most important ones, which it proposes to the Board of Directors;
- it sets executives' compensation (except where the decision lies with the Board of Directors);
- it prepares and proposes to the Board of Directors, for its decision:
 - General strategies (including the effect of strategies on the budget

and 5-year plan and the allocation of resources);

- general internal organization;
- major financial steps that have the effect of modifying the company's financial structure;
- the creation and termination of major activities, including the corresponding entities (branches, subsidiaries, joint ventures); and
- the company's financial statements.
- it submits to the Board of Directors all questions lying within the latter's competence, and reports to the Board on the exercise of its mission;
- it executes the decisions of the Board of Directors.

5.2. Delegation of powers

The Executive Committee operates on a collegial basis, whilst consisting of members exercising General Management functions.

The execution of Executive Committee decisions and the following up of its recommendations is delegated to the Executive Committee member (or another General Manager) in charge of the activity or of the function

	Year of birth	Year of 1st appointment	Term of office ends	Diplomas and main Solvay activities	Presence at meetings (as a function of date of appointment)
Mr. Christian Jourquin (B)	1948	1996	2010	Commercial Engineering degree (Free University of Brussels), ISMP Harvard, Chairman of the Executive Committee.	20/20
Mr. Bernard de Laguiche (F)	1959	1998	2010	Commercial engineering degree – MA in economics HSG (University of St. Gallen - Switzerland), Executive Committee Member in charge of Finance/IT.	20/20
Mr. René Degrève (B) – until May 2008	1943	1994	2008	Commercial engineering degree (Free University of Brussels), Master of Business Administration (INSEAD). Executive Committee member in charge of NAFTA Regional Management.	7/7
Mr. Jacques van Rijckevorsel (B)	1950	2000	2011	Civil Engineering degree in Mechanics (Catholic University of Louvain) Advanced studies in Chemical Engineering (Free University of Brussels), AMP Harvard, Executive Committee member in charge of the Plastics Sector.	20/20
Mr. Werner Cautreels (B)	1952	2005	2011	Bachelor and Master of Science in Chemistry and Doctorate in Chemistry (University of Antwerp), AMP Harvard, Executive Committee member in charge of the Pharmaceuticals Sector.	20/20
Mr. Vincent De Cuyper (B)	1961	2006	2010	Chemical engineering degree (Catholic University of Louvain) Master in Industrial Management (Catholic University of Louvain), AMP Harvard, Executive Committee member in charge of the Chemicals Sector.	19/20
Mr. Jean-Michel Mesland (F)	1957	2007	2010	Engineering degrees from the Ecole Polytechnique and the Ecole des Mines (Paris) – AMP Harvard. Executive Committee member in charge of Research and Technology.	20/20
Mr. Roger Kearns (US) – from July 2008	1963	2008	2010	Bachelor of Science – Engineering Arts (Georgetown College - Georgetown), Bachelor of Science – Chemical Engineering (Georgia Institute of Technology - Atlanta), MBA (Stanford University). Executive Committee member in charge of Asia-Pacific Regional Management.	10/10

corresponding to the decision or recommendation.

5.3. Composition of the Executive Committee

5.3.1. Size and composition

At January 1, 2009, the Executive Committee had seven members.

On May 13, 2008, Mr. René Degrève, Member of the Executive Committee and Region General Manager NAFTA, left the Executive Committee at the age of 65. He remains Region General Manager NAFTA. Based on a proposal from the Compensation and Appointments Committee, the Board of Directors decided unanimously to appoint Mr. Roger Kearns to the positions of Region General Manager Asia-Pacific and Member of the Executive Committee from July 1, 2008.

5.3.2. Terms of office and age limits

Executive Committee members are appointed by the Board of Directors for two-year renewable terms.

The Board of Directors has set an age limit of 65 for Executive Committee membership.

5.3.3. Criteria for appointment

The Executive Committee is a collegial body made up of specialist members, generally from the Group's General Managements. Members must work full-time for the Group. Apart from the Chairman, its members were in 2008 the Chief Financial Officer, the Group General Managers of the three Sectors (Chemicals, Plastics and Pharmaceuticals), the Group General Manager of Research and Technology, the Region General Manager NAFTA (until May 2008) and the Region General Manager Asia-Pacific (from July 2008).

All Executive Committee members have employment contracts with the Group companies, except for the Chairman, who has self-employed status. The post of Chairman of the

Executive Committee may not be held concurrently with that of Chairman of the Board of Directors.

5.3.4. Appointment and renewal procedure

The Chairman of the Executive Committee is appointed by the Board of Directors based on a proposal by the Chairman of the Board of Directors and with recommendations by the Compensation and Appointments Committee and the outgoing Chairman of the Executive Committee.

The other Executive Committee members are also appointed by the Board of Directors, but on the proposal of the Chairman of the Executive Committee in agreement with the Chairman of the Board of Directors and with the concurrence of the Compensation and Appointments Committee.

Executive Committee members' performance is assessed annually by the Chairman of the Executive Committee. This assessment is undertaken together with the Chairman of the Board and with the Compensation and Appointments Committee whenever proposals are made for setting variable compensation.

5.4. Frequency, preparation and procedure of Executive Committee meetings

5.4.1. The Executive Committee met 20 times in 2008.

Meetings are generally held at the Company's registered office, but can also be held elsewhere at the decision of the Executive Committee Chairman. The Executive Committee sets the dates of its meetings more than a year before the start of the financial year. Additional meetings can be convened by the Chairman of the Executive Committee, who sets the agenda based, inter alia, on proposals from the General Managements.

5.4.2. The Corporate Secretary, who acts as secretary to both the

Board of Directors and the Executive Committee, is responsible, under the supervision of the Chairman of the Executive Committee, for organizing meetings and sending out notices of meetings, agendas and the dossiers containing the item-by-item information required for decision-making. He makes sure that members receive notices and dossiers – complete whenever possible – at least five days before meetings.

The Corporate Secretary draws up the minutes of Executive Committee meetings and has them approved by the Chairman of the Executive Committee and subsequently by all members. Minutes are formally approved at the following meeting. They are not signed, but the Chairman of the Executive Committee and the Corporate Secretary may deliver certified conformed extracts.

5.4.3. The Executive Committee takes its decisions by a simple majority, with its Chairman having a casting vote. If the Chairman of the Executive Committee finds himself in a minority he may, if he wishes, refer the matter to the Board of Directors which will then decide on the matter. In practice, however, almost all Executive Committee decisions are taken unanimously, so that the Chairman has never made use of his casting vote.

Attendance at meetings was close to 100% in 2008. The Executive Committee has not appointed any specialist Committees from among its members. For important projects, however, it does set up ad hoc working teams, led mainly by General Managers chosen on the basis of the competences required.

The Executive Committee regularly invites other employees to its discussions on specific subjects.

5.4.4. Every two years the Executive Committee holds an off-site meeting to discuss the group's strategic

directions. A meeting of this type was organized in 2008, devoted mainly to the directions to be taken in Sustainable Development.

5.5. Compensation

5.5.1. General principles

The compensation of Executive Committee members is set as a global gross amount. This includes not only the gross compensation earned at Solvay SA, but also amounts received as compensation or as directors' fees from companies throughout the world in which Solvay SA holds majority or other shareholdings. In 2005 the Board of Directors updated, based on a proposal from the Compensation and Appointments Committee, a compensation policy applicable to its main executives, including the members of the Executive Committee. This policy is set out in an annex 2. Its application in 2008 to Executive Committee members is detailed in Chapter 6 below.

6. Compensation report

6.1. Description of the procedure for:

6.1.1. Developing a compensation policy:

a) for Directors :

Directors of Solvay SA are remunerated with fixed emoluments, the common basis of which is set by the ordinary Shareholders' Meeting, and any complement thereto by the Board of Directors on the basis of article 27 of the by-laws, viz. Article 27: "Directors shall receive emoluments payable from overhead costs; the shareholders' meeting shall determine the amount and terms of payment. That decision shall stand until another decision is taken.

The Board of Directors shall be authorized to grant directors with special duties (the Chairman, vice-

chairmen, directors charged with day-to-day management, members of the Executive Committee) fixed emoluments in addition to those provided for in the above paragraph.

Each of the Directors responsible for day-to-day management is also entitled to variable remuneration determined by the Board of Directors on the basis of their individual results and of the consolidated results of the Solvay Group.

The sum referred to in the two preceding sub-sections are also paid out of overhead costs."

b) for Executive Committee members: Compensation policy is decided by the Board of Directors based on proposals by the Compensation and Appointments Committee. In 2005, based on a proposal by the Compensation and Appointments Committee, the Board of Directors updated its compensation policy for its main senior managers, including the members of the Executive Committee. This policy is set out in an annex 2 to this document.

6.1.2. Setting individual compensation:

a) for Directors:

(i) – the June 2005 Ordinary Shareholders' Meeting decided to set Directors' pay, starting from the 2005 financial year, as follows: on the one hand to grant an annual gross fixed remuneration of EUR 35 000 per Director and, on top of this, an attendance individual fee of EUR 2 500 gross per Board meeting attended;

– and on the other hand to confirm the Audit Committee attendance fees, viz.: EUR 4 000 gross for members and EUR 6 000 gross for the Chairman;

– and, lastly, to grant attendance fees, for the Compensation and Appointments Committee and for the Finance Committee, of

EUR 2 500 gross per member and EUR 4 000 gross for the Chairmen of these Committees;

– but with the specification that the Chairman of the Board, the Chairman of the Executive Committee and the Executive Directors would not receive attendance fees for taking part in these Committees.

(ii) The Board of Directors has made use of the authorization conferred on it by article 27 of the by-laws to grant an additional fixed compensation of EUR 225 208 gross to the Chairman of the Board of Directors by reason of the work load and the responsibility attached to this task. The Chairman of the Board of Directors also receives an amount of EUR 422 386 a year to compensate the postponement of his rights to the Solvay complementary pension, which should have been paid at the end of his mandate as Chairman of the Executive Committee, but which has not owing to his mandate as Chairman of the Board.

b) for Executive Committee members: The compensation of the Chairman and the members of the Executive Committee is set as a global gross amount. This includes not only the gross remuneration earned at Solvay SA, but also amounts deriving, contractually or as directors' emoluments, from companies throughout the world in which Solvay SA holds majority or other shareholdings. Individual compensation is set by the Board of Directors based on recommendations by the Compensation and Appointments Committee.

6.2. Declaration concerning compensation policy for the Chairman and members of the Executive Committee:

The compensation policy adopted by the Board of Directors in 2005, and

which remained valid for the 2008 financial year, is set out in an annex to this document. The Board does not intend to fundamentally change this policy over the next two years.

This policy contains: the basic compensation principles, indicating the relationship between compensation and performance, including the criteria for assessing the Executive Committee member in relation to the objectives, and the relative importance of various compensation components.

6.3. Amount of the compensation and other benefits granted directly or indirectly to Directors (executive and non-executive) by the company or by an affiliated company. (see table below)

6.4. Amount of compensation and other benefits granted directly or indirectly to the Chairman of the Executive Committee. (see table page 148)

The Chairman of the Executive Committee has requested the

Board of Directors to reduce, for 2008, his variable remuneration to EUR 216 093, by way of exception to the policy set by the Board, which would have permitted him to receive an amount of EUR 616 093.

In December 2008 the Board of Directors allotted, on the proposal of the Compensation and Appointments Committee, share options to senior Group managers. The exercise price amounts to EUR 58.81 per option, with a three-year non-exercise period.

COMPENSATION AND OTHER BENEFITS GRANTED TO DIRECTORS

Compensation	2007		2008	
	Gross amount	Of which Board of Directors and Committees attendance fees	Gross amount	Of which Board of Directors and Committees attendance fees
A. Michielsen				
- Fixed emoluments + attendance fees	47 500.04	12 500.00	57 500.04	22 500.00
- "Article 27" supplement	217 523.79		225 207.86	
- Compensation for complementary pension rights	407 974.20		422 385.97	
N. Boël	52 500.04	17 500.00	62 500.04	27 500.00
D. Solvay	64 500.04	29 500.00	60 000.04	25 000.00
C. Jourquin	47 500.04	12 500.00	57 500.04	22 500.00
H. de Wangen	45 000.04	10 000.00	52 500.04	17 500.00
J-M. Solvay	47 500.04	12 500.00	57 500.04	22 500.00
G. de Selliers	64 500.04	29 500.00	81 000.04	46 000.00
Wh. Sadler	71 500.04	36 500.00	81 500.04	46 500.00
J. van Zeebroeck	52 500.04	17 500.00	62 500.04	27 500.00
J-M. Folz	50 000.04	15 000.00	57 500.04	22 500.00
J. Saverys	17 325.28	5 000.00		
K. Van Miert	57 500.04	22 500.00	62 500.04	27 500.00
U-E. Bufe	57 500.04	22 500.00	62 500.04	27 500.00
B. de Laguiche	47 500.04	12 500.00	57 500.04	22 500.00
B. Scheuble	61 000.04	26 000.00	71 000.04	36 000.00
A. Van Rossum	61 000.04	26 000.00	71 000.04	36 000.00
C. Casimir-Lambert	34 174.76	7 500.00	73 500.04	38 500.00
	1 491 998.63	315 000.00	1 675 594.48	468 000.00

The Chairman of the Executive Committee accepted 25 000 such options and the Chief Financial Officer 18 000 (see also 2.1.3. Article 523 of the Companies' Code, page 134).

In the area of extra-legal pension rights, given his self-employed status in Belgium, the Chairman of the Executive Committee has his own separate contractual regime, with pension, death-in-service and disability rules which are financially comparable with those applicable, leaving aside any contributions, to his Executive Committee colleagues affiliated to the Pension Regulations for executives in Belgium.

6.5. Global amount of compensation and other benefits granted directly or indirectly to the seven other members of the Executive Committee by the company or an affiliated company.

(see table below)

Executive Committee members' expenses, including those of its Chairman, are governed by the same rules as apply to all Group management staff that is: the justification of all professional expenses, item by item.

Private expenses are not reimbursed. In the case of mixed professional/private expenses (like cars), a proportional rule is applied in the same way as to all management staff in the same position.

In the area of insurance, the Company subscribes the same type of cover for Executive Committee members as it does for its senior managers.

Pensions and retirement and death-in-service coverage for Executive Committee members are based in principle on the provisions of the applicable schemes in their base countries.

6.6. Options

In December 2008 the Board of Directors allotted, on the proposal of the Compensation and Appointments Committee, stock options to senior Group managers.

The exercise price amounts to EUR 58.81 per option, with a three-year non-exercise period. Executive Committee members together were granted 112 000 options in 2008, compared with 120 000 in 2007.

6.7. The most important provisions of their contractual relationships with the company and/or an affiliated company, including the provisions relating to compensation in the event of early departure.

Executive Committee members, including the Chairman, have directorships in Group subsidiaries as a function of their responsibilities. Where such mandates are compensated, they are included in the amounts given above, regardless of whether the mandate is deemed to be salaried or undertaken on a self-employed basis under local legislation. No Executive Committee member, including the Chairman, benefits from any "golden parachute" clause.

If their function ends anticipatedly, only the legal system applies.

7. Chairmen's roles in achieving harmony between the Board of Directors and the Executive Committee

The Chairman of the Board of Directors and the Chairman of the Executive Committee work together to harmonize the work of the Board of Directors (including its committees) with that of the Executive Committee.

The following measures have been introduced to achieve this:

- the two Chairmen meet as often as is necessary on matters of common interest to the Board of Directors and the Executive Committee;
- the Chairman of the Board of Directors is invited once a month to join the Executive Committee meeting during its discussion of the most important items on which proposals will be made to the Board of Directors;
- the Chairman of the Executive Committee (along with the Finance

Compensation and other benefits granted to the Chairman of the Executive Committee	2007	2008
Base compensation	755 351	774 266
Variable compensation	906 421	216 093
Pension and death-in-service and disability coverage (costs paid or provided for)	197 015	209 661
Other remuneration components ¹	14 216	13 410

Compensation and other benefits granted to the other members of the Executive Committee	2007	2008
Base compensation	2 635 689	2 633 232
Variable compensation	2 159 590	1 628 323
Pension and death-in-service and disability coverage (costs paid or provided for)	1 465 485 ²	605 462
Other remuneration components ³	113 446	107 492

1. Company vehicles.
2. Adjustment linked to the pension retirement of a member of the Executive Committee.
3. Representation allowance, luncheon vouchers, company car.

Manager, a member of the Executive Committee), is also a member of the Board of Directors, where he presents the Executive Committee's proposals.

8. External Auditing

The auditing of the company's financial situation, its financial statements and the regular nature of the same with respect to the Companies' Code and the by-laws, and of the operations to be recorded in the financial statements, is entrusted to one or more auditors appointed by the Shareholders' Meeting from among the members, either physical or legal persons, of the Belgian Institute of Company Auditors.

The mission and powers of the auditor(s) are those granted by the law. The Shareholders' Meeting sets the number of auditors and fixes their emoluments in accordance with the law. Auditors are also entitled to reimbursement of their travel expenses for auditing the company's plants and administrative offices. The Shareholders' Meeting may also appoint one or more alternate auditors. Auditors are appointed for three-year renewable terms, which may not be revoked by the Shareholders' Meeting other than for good reasons.

The mandate of the audit company Deloitte, Réviseurs d'Entreprise – represented by Mr. Michel Denayer, was renewed at the Shareholders' Meeting of May 8, 2007 and will expire at the end of the ordinary Shareholders' Meeting of 2010.

The Shareholders' Meeting of May 8, 2007 also renewed the mandate of the alternate auditor, the audit company Deloitte, Réviseurs d'Entreprise, represented by Mr. Ludo De Keulenaar, also expiring at the end of the Ordinary Shareholders' Meeting of 2010.

The Shareholders' Meeting also established the Auditor's annual emoluments at EUR 340 000, all costs included, excluding VAT, for the duration of its mandate.

The latter's report is shown on page 129. Additional fees received by Deloitte in 2008 amount to EUR 950 711. For the entire consolidated Group, the fees received by Deloitte break down as follows:

- fees for auditing the financial statements: EUR 5 153 704
- other audit and miscellaneous services: EUR 755 439
- special mission and tax advice: EUR 195 272.

9. Code of Conduct

The Solvay Code of Conduct expresses certain values that serve as a reference framework for the Group's decisions and actions:

- Ethical behaviour
- Respect for people
- Customer care
- Empowerment
- Teamwork.

All these Values need to be respected and applied constantly and consistently.

The Code of Conduct is part of the Group's constant efforts to maintain and strengthen trust both among all its employees and between the Group and its partners, including its employees, their representatives, shareholders, customers and suppliers, government agencies and all other third parties.

The Code also draws inspiration from international conventions such as the Universal Declaration of Human Rights, the Convention on the Rights of the Child, and the conventions of the International Labour Organization (ILO).

To obtain the widest possible involvement of all employees in

implementing this Code, the Group will continue to promote a rich and balanced social dialogue between senior management and social partners.

The Solvay group takes various measures to ensure that this Code is applied, including targeted training programs, in order to minimize the danger of violation and with provision for clear sanctions where necessary. A compliance organization has also been set up under the authority of the Group General Counsel with a network of compliance officers.

The Group encourages its employees to take up any difficulty relating to the application of the Code of Conduct with its hierarchy or other identified interlocutors (legal staff, human resources, and an ombudsman in the person of the Corporate Secretary). It is also progressively introducing the possibility, in every region, of talking to an external service to express any difficulties.

It should also be noted that strict rules are in place with regard to respecting competition law. These are the subject of regular control procedures.

In the joint ventures, our Board representatives make every effort to have rules adopted that are in line with the Group's Code of Conduct.

10. Preventing insider trading

10.1. The Group has introduced a policy in this area

The interpretation and control of the respect of these rules are entrusted to a Transparency Committee chaired by the Corporate Secretary. In particular this Committee advises the Board of Directors, the Executive Committee and any employee finding themselves confronted with a difficult situation.

10.2. Special measures within the Board of Directors

The Board of Directors subscribes to the Group rules on ethical values, in particular as regards confidentiality and non-usage of insider information. Notably, it has adopted strict rules defining the periods during which members should abstain from all direct or indirect transactions involving Solvay shares (and related derivative instruments) before the publication of results or other information that could affect the market price of Solvay shares.

Subject to the items set out in item 2.1.3. (Article 523 of the Companies' Code, page 134), in 2008 members of the Board of Directors were not confronted with conflict of interest situations requiring the implementation of the legal procedures provided for by the Companies' Code. On the other hand, and in a very limited number of cases, one or the other member has preferred, for ethical reasons, to withdraw and to abstain from participating in debates and in voting, for example directors belonging to the Executive Committee when the Board of Directors were deciding on the renewal of their terms of office, on their bonus or the number of stock options to allocate to them.

10.3. Special measures within the Executive Committee

The Executive Committee respects the same ethical and compliance rules as the Board of Directors (see above).

These rules are, however, tighter in at least two respects:

- In questions of insider information, given the Executive Committee's participation in major decisions, including the establishment of the results, and the allocation of stock options, stricter rules apply to avoid any insider trading, for example, as regards the sale during possibly sensitive periods of shares obtained

from the exercise of stock options;

- in the area of "compliance," given the problems encountered with regard to compliance with competition rules, in particular in Europe but also in the USA, compliance policy has been tightened at all levels at the behest of the Executive Committee, including setting up a network of compliance officers.

10.4. Notification to the Banking, Finance and Insurance Commission of transactions involving Solvay shares

Persons exercising managing responsibilities within the Group, and persons who are closely related to them, that is:

- the members of the Solvay SA Board of Directors
 - the members of the Executive Committee
 - the Corporate Secretary
 - the General Manager Human Resources and
 - the General Counsel
- have been informed of their obligation to declare to the Banking, Finance and Insurance Commission every transaction involving Solvay shares undertaken for their own account within the meaning of the Law of August 2, 2002. The Corporate Secretary also keeps an updated list of persons having access to periodical insider information.

11. Internal organization of the Solvay group

11.1. The activities of the Solvay group are organized as follows:

- the Pharmaceuticals Sector
- the Chemicals Sector
- the Plastics Sector.

11.2. Each Sector, except Pharmaceuticals, is in turn divided by business area into Strategic Business

Units (SBUs). Each SBU's field of activity is set out in greater detail in the pages of the annual report devoted to the Sectors.

The SBUs in the Chemicals and Plastics Sectors are almost entirely composed of individual subsidiaries by business area and by country. In most cases these subsidiaries are held by local national holding companies, particularly where tax consolidation is permitted. Examples of this are Solvay America, Inc. in the USA and Solvay GmbH (formerly Solvay Deutschland GmbH) in Germany.

A different subsidiary holding structure exists for the Pharmaceuticals activity. Rather than being held by national holding companies, all the Group's pharmaceutical subsidiaries are held by a single holding company, Solvay Pharmaceuticals Sàrl, in Luxembourg. This pharmaceuticals holding company is ultimately 100% owned by Solvay SA.

11.3. The Sectors and SBUs are supported by five Functional Managements (Finance, Research & Technology, Human Resources, Legal and Compliance* and Corporate Secretariat)*, in turn subdivided into Competence Centers. Nearly all Functional Managements and their Competence Centers are located at Solvay SA in Brussels and in national holding companies, where they are part of Regional or Country Managements.

11.4. Sectors and SBUs are also supported by specialist services organized into Business Support Centers (BSCs). These BSCs can be global, international, national or site-specific. Depending on their particular purpose, they are attached to a Functional Management, to a Sector, to an SBU or to a Regional or Country Management.

11.5. The Executive Committee is assisted in its task by the Office of the Executive Committee, composed of:

* Distinct functional entities since January 1, 2007.

EUR **The Solvay share compared with the indexes (2008)**

- the Corporate Secretary, the General Counsel and the General Manager Human Resources;
- the Region Managers for Europe, NAFTA, Mercosur and Asia-Pacific;
- the General Secretariat – Corporate Affairs;
- the Shareholder Services Department;
- Corporate Development;
- the Group Head of Communications;
- the Group Head of Government & Public Affairs;
- the Group Innovation Champion;
- the officer in charge of monitoring the implementation of the Executive Committee's decisions mentioned in paragraph 5.4.4.

The Office of the Executive Committee is not a collegiate body.

It consists of individual persons and of three departments chosen to provide the Executive Committee with advice or, in the case of the Corporate Secretariat and Shareholder Services, to provide logistic and operational support.

12. Relations with shareholders and investors

The Group thanks its shareholders and all others, in particular journalists and analysts, for the interest they continue to express in Solvay.

12.1. The Solvay share in 2008

The development of the Solvay share was marked in 2008 by the global financial and economic crisis, in particular during the 4th quarter.

The highest price was EUR 97.9 (June 5, 2008), compared with EUR 123.2 in 2007. The average price was EUR 80.68 (EUR 110.2 in 2007). The lowest price was EUR 51.45 (December 24, 2008) as against EUR 92.3 in 2007. Average daily trading volumes also increased in 2008 by over 60% to 368 000 shares compared with 226 000 shares in 2007.

The evolution of Solvay shares in 2008 are comparable to the trend of market indexes, as shown above.

12.2. Active financial communication

Throughout the year the Investor Relations Team is ready to meet individual and institutional shareholders and investors, as well as analysts, to answer their questions and to explain short and long-term developments at the Group to them, with appropriate regard for the equal treatment of all shareholders. The Group's communication policy is to disseminate, as soon as reasonably possible, information that is of material interest for the market in the form of press releases and/or press conferences.

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Telephone: +32 2 509 72 43
Fax: +32 2 509 72 40
e-mail: investor.relations@solvay.com
Internet: www.solvay-investors.com

For additional information on ADRs, a telephone hotline is also available at 1-800-428-4237 (from the USA and Canada) or 1-651-453-2128 (from other countries).

12.3. Flow of financial information

In 2008, the Belgian Financial Analysts' Association recognized the quality of the information contained in Solvay's quarterly and annual publications, of the Investor Relations department and of the Solvay group Internet site, by awarding the Group its second prize for best financial information.

12.4. Shareholder Clubs and Individual Investors

For many years the Group has maintained very close relations with clubs of individual investors both by taking part in fairs and conferences and by providing regular information on the life of the Group (press releases, the annual report, etc.) on request.

In 2008, the Solvay group actively continued its meetings with individual investors.

To give examples:

- Solvay's participation in "Share Day" was a chance to meet again our individual shareholders;
- in April 2008, Solvay took part in the 'Investors' Event organized by the (Flemish Association of Investors and Investors Clubs), which every year brings together more than

1 000 participants, with Mr. Christian Jourquin presenting the Group's latest strategic developments;

- Solvay also took part in the Financial Cocktails organized by Euronext, the most recent of which was held in November in Brussels.

12.5. Roadshows and meetings for professionals

Roadshows and meetings with senior Group managers are organized regularly for international professionals (analysts, portfolio managers, press, etc.)

In 2008 over 300 contacts were established at meetings and events organized in Europe (Brussels, London, Paris, Frankfurt, Geneva, Zurich, Milan, etc.), the United States and Canada. The annual analysts' meeting and institutional investors' meeting, which is also open to the financial press, was attended by over 40 participants from eight European countries and the USA. The visit provided an opportunity to examine Group strategy, major changes in the activities portfolio and recent developments.

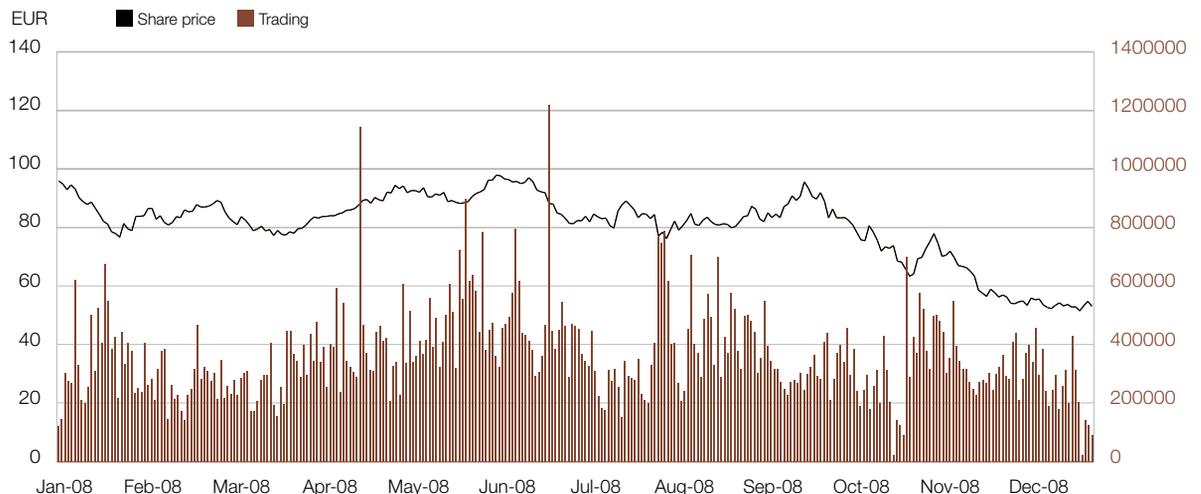
Conference calls with management are also systematically organized, every quarter, to comment on Group results.

12.6. A specific internet site

A dedicated internet site, www.solvay-investors.com, provides shareholders and investors with the latest published financial and strategic information from the Group. The site informs investors and shareholders of many valuable services. It also provides useful contacts with chemicals and pharmaceutical analysts who closely track the Group. Surfers can also join a Shareholders' and Investors' Club in order to receive e-mail notification in three languages (French, Dutch, English) of the publication of information of various kinds: agendas of certain meetings, including the annual Shareholders' Meeting, draft wording of by-law amendments, special reports of the Board of Directors, publication of the annual report, unconsolidated parent company accounts, payment of dividends, etc.

12.7. Quarterly earnings publication

Out of a desire to provide ever more finely tuned and regular communication, the Group began in 2003 to publish quarterly results in accordance with International Financial Reporting Standards (IFRS).



ANNEX 1 Audit Committee Mission Statement

1. Members

The Audit Committee consists of a Chairman and at least two members, all three of whom are non-executive directors and at least two of whom are independent directors.

2. Guests

The Audit Committee generally invites the following persons to report to its meetings:

- a) the Group's chief financial officer;
- b) the head of the internal audit department;
- c) a representative of the Group's statutory auditor.

3. Frequency of meetings

The Audit Committee meets at least four times a year prior to the publication of the annual, half-yearly and quarterly results. Additional meetings may be organized to discuss and agree on the scope of audit plans and on audit costs, and to discuss other important financial questions.

4. Main tasks of the Audit Committee

- a) The Audit Committee ensures that the annual report and accounts, the periodic financial statements and all other important financial communications by the Group conform to generally accepted accounting principles (IFRS for the Group, Belgian accounting law for the parent company). These documents should provide a fair and relevant view of the business of the Group and of the parent company and meet all legal and stock market requirements.

- b) The Audit Committee regularly examines the accounting strategies and practices that are applied in preparing the Group's financial reports, making sure that these conform to good practices and meet the requirements of the appropriate accounting standards.

- c) The Audit Committee regularly examines the scope of the external audit and the way it is implemented across the Group.

The Audit Committee studies the recommendations of the external audit and the auditor's report to the Board of Directors.

- d) The Audit Committee monitors the effectiveness of the Group's internal control systems, and in particular the financial, operational and conformity controls, along with risk management. The Audit Committee also satisfies itself that the electronic data processing systems used to generate financial data meet the required standards. The Audit Committee ensures that these systems meet legal requirements.

- e) In respect of the internal audit, the Audit Committee verifies the scope/ programs/results of the work of the internal audit department and makes sure that the internal audit organization has the necessary resources.

The Audit Committee checks that internal audit recommendations are properly followed up.

- f) The Audit Committee examines the appointment of the Statutory Auditors and assesses the appropriateness of their fees. In consultation with the chief financial officer, the Audit Committee participates in the choice of head of the internal audit department.

- g) The Audit Committee examines areas of risk that can potentially have a material effect on the

Group's financial situation.

These include, for example, the foreign exchange risk, major legal disputes, environmental questions, product liability issues, etc.

During such examination, the Audit Committee examines the procedures in place to identify these major risks and to quantify their potential impact on the Group and the way the control systems work.

5. Minutes

As a sub-committee of the Group's Board of Directors, the Audit Committee prepares minutes of each of its meetings and submits them to the Board.

ANNEX 2 Compensation policy for General Managers

In general

This compensation policy applies to Solvay's General Managers, i.e. the CEO, the members of the Executive Committee and the General Managers belonging to the Office of the Executive Committee. General Managers' compensation is set by the Board of Directors based on the recommendations of the Compensation and Appointments Committee.

The guiding principles of Solvay's compensation policy for its General Managers can be summarized as follows:

- to ensure overall competitive compensation opportunities which will enable Solvay to attract, retain, motivate and reward executives of the highest calibre essential to the successful leadership and effective management of a global chemical and pharmaceutical company;

- to focus executives' attention on critical success factors for the business that are aligned with the company's interests in the short, medium and long term;
- to encourage executives to act as members of a strong management team, sharing in the overall success of the Group, while still assuming individual roles and responsibilities;
- to maintain and further strengthen the performance culture of the Group by linking compensation directly to the fulfilment of demanding individual and collective performance targets.

The composition and level of the General Managers' total compensation (fixed and variable) is reviewed annually.

Compensation reflects overall responsibility as well as individual experience and performance. It takes into account relevant competitive practice considering the nature and level of the position as well as specific characteristics of the business sectors in which Solvay operates. Other factors which are deemed relevant, such as fairness and balance within the company, are also taken into consideration.

To assess relevant competitive practice, Solvay considers a blend of some 20 leading European chemical and pharmaceutical companies as its frame of reference, taking into consideration Solvay's relative size in terms of sales revenues and headcount vis-à-vis these companies.

The composition of this group will be reviewed on a periodic basis to assure that it continues to reflect the company's strategic orientation. For executives with a non-European home country and who are based outside Europe, the home country practice (ideally weighted towards the chemical and pharmaceutical sectors) constitutes the reference.

For external market data, the services of internationally recognized compensation consultants are retained.

Solvay's objective is to provide total compensation levels which are at or around the median of the retained reference market for normal performance and close to the upper quartile level of the market in case of outstanding collective and individual performances.

Elements of compensation

The compensation of the General Managers comprises base salary, annual incentives (i.e. performance bonuses) and longterm incentives, which constitute the General Managers' total direct compensation. General Managers also enjoy other benefits such as, essentially, retirement, death-in-service, disability and medical benefits. Performance-based and, hence, variable pay represents at a minimum close to 50% of the General Managers' total direct compensation.

Base salary

Base salary is reviewed - but not necessarily changed - on an annual basis. This review assesses current levels against median levels of the reference market taking into account the responsibilities and scope of the position of the General Manager, as well as individual competencies, relevant professional experience, potential for future development and sustained performance over time.

Annual incentives

The incentive levels are related to the full achievement of all pre-set performance objectives and range from 50% to 100% of the base salary depending upon the position in the Office of the Executive Committee. These percentages have been determined taking into consideration

median target bonus levels observed in the retained reference market and Solvay's policy regarding the target compensation mix and competitive positioning.

Generally speaking, Solvay aims at offering, on average, base salary plus annual incentive opportunities close to the median levels observed in the reference market.

The actual annual bonus amount varies according to the performance of the Solvay group, its various sectors and the individual General Managers' performances. The actual bonus ranges from zero in the case of poor performances up to 150% of the amount corresponding to normal performance in case of outstanding achievements.

The overall business performance is measured in terms of ROE (return on equity); the individual performance is measured against a set of predetermined region/business sector/function goals as well as other executive-specific critical objectives approved by the Board of Directors.

Long-term incentives

The long-term incentive is delivered through periodic grants of stock options.

Each year, the Board of Directors, upon the recommendation of the Compensation and Appointments Committee, sets the number of stock options that are granted respectively to the Chairman of the Executive Committee, the members of the Executive Committee and the other members of the Office of the Executive Committee. In determining the actual number of options to be granted to each group of General Managers, the Board is guided by prevailing long-term incentive levels and practices in the reference market. The options strike price is equal to the average closing price of the Solvay share on Euronext Brussels

during the 30 days preceding the start of the offer. The options expire eight years after the date of grant.

They vest as from the first day of the year following the third anniversary of the grant and can be exercised during specified "open periods".

Other benefits

The General Managers are entitled to retirement, death-in-service and disability benefits, as a rule, on the basis of the provisions of the plans applicable in their home country.

Other benefits, such as medical care and company cars or car allowances, are also provided according to the rules applicable in the host country.

The nature and magnitude of these other benefits are largely in line with the median market practice. The retained reference market is, as a rule, a blend of some 20 leading Belgian companies and Belgian subsidiaries of foreign-owned organisations generally considered as attractive employers by national and international executive talent and for which the representative benefit practices can be regarded as sufficiently in line with prevailing European standards at executive level.