

# Corporate Governance Statement

This chapter is an annex to the management report

## Table of contents

Reference code and introduction	p. 181
1. Legal and shareholding structure of Solvay SA	p. 181
2. Capital and dividend policy	p. 182
2.1. Policy in respect of capital	
2.2. Dividend policy	
3. Shareholders' Meetings	p. 184
3.1. Place and date	
3.2. Agenda	
3.3. Procedure for calling meetings	
3.4. Participation in Shareholders' Meetings and appointment of proxies	
3.5. Procedure	
3.6. Documentation	
4. Board of Directors	p. 186
4.1. Role and mission	
4.2. Modus operandi and representation	
4.3. Composition	
4.4. Evaluation and training	
4.5. Committees	
5. Executive Committee	p. 193
5.1. Role and Mission	
5.2. Delegation of powers	
5.3. Composition	
5.4. Frequency, preparation and procedure of meetings	
6. Compensation report	p. 195
7. Chairmen's roles in achieving harmony between the Board of Directors and the Executive Committee	p. 199
8. Main characteristics of risk management and internal control systems	p. 199
9. External Audit	p. 201
10. Code of Conduct	p. 201
11. Preventing insider trading	p. 201
12. Internal organization of the Solvay group	p. 202
13. Relations with shareholders and investors	p. 202
<b>Annexes:</b>	
1. Audit Committee Mission Statement	p. 204
2. Compensation policy for General Managers	p. 205

## Reference code and introduction

The Solvay group has adopted the 2009 Belgian Corporate Governance Code as its reference code in governance matters. The present report presents the application of the recommendations of this code in accordance with the “comply or explain” principle. The 2009 Belgian Corporate Governance Code is available on the GUBERNA internet site ([www.guberna.be](http://www.guberna.be)).

2011 saw the acquisition of Rhodia on September 16 and the start of the integration of its activities into the Solvay group. The governance of the Solvay group applies to all its activities, including those of the Rhodia Sector. In some areas, the integration is not yet fully realized. During the integration period, different processes, but with similar purposes, will exist side by side, the objective being to align these within the governance framework of the Solvay group.

## 1. Legal and shareholding structure of Solvay SA

**1.1.** Solvay SA is a *société anonyme* (public limited liability company) created under Belgian law. Its registered office has been transferred from 33, rue du Prince Albert, 1050 Brussels to 310, rue de Ransbeek, 1120 Brussels, Belgium, by decision of the Board of Directors of October 26, 2011.

The company's by-laws can be found on the Solvay internet site: [www.solvay.com](http://www.solvay.com).

An Extraordinary Shareholders' Meeting of Solvay SA held on May 10, 2011 modified the company's corporate purpose to make it more 'generic', maintaining the primary focus on chemistry-related activities,

while adding activities related to natural resources and targeting more clearly the acquisition of participating interests.

**1.2.** Its shares are registered or dematerialized. 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, following a resolution adopted by the General Shareholders' Meeting of May 8, 2007, all bearer shares issued by the company and not recorded on dematerialized securities accounts or converted into registered shares by July 1, 2011, have been converted as of right into dematerialized shares.

At December 31, 2011, the capital of Solvay SA was represented by 84 701 133 shares. Each share entitles its holder to one vote whenever voting takes place (except for any shares held by Solvay SA or its subsidiaries, the voting rights for which are suspended). All shares are equal and common.

The stock is listed on the NYSE Euronext Brussels. It was also admitted to trading on NYSE Euronext Paris on January 23, 2012. The Solvay share is included in several indexes:

- Euronext 100, consisting of the leading 100 European companies listed on NYSE EURONEXT, where Solvay ranked in 65<sup>th</sup> place (0.4% of the index) at December 31, 2011.
- The BEL 20 index, based on the 20 most significant shares listed on Euronext Brussels. At December 31, 2011, Solvay represented around 7.6% of the value of this index (5<sup>th</sup> 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, Solvay Stock Option Management SPRL has appointed the bank Rothschild & Cie., under a liquidity contract, to improve the liquidity of the share on Euronext Brussels. This appointment remained in place in 2011.

**1.3.** Solvay SA's main shareholder is Solvac SA, a registered company, which at December 31, 2011 held a little over 30% of capital and voting rights in Solvay. Solvac SA has filed the required transparency declarations every time it has passed a legal or statutory declaration threshold. 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, the shares of which are admitted to trading on NYSE 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.

In addition, at December 31, 2011, Solvay Stock Option Management SPRL held 4.13% of the shares issued by Solvay SA (3 284 625 shares), in particular to cover the Solvay stock options program (see under 2.1. 'Capital'). On February 17, 2012, this shareholding fell below the 3% threshold to 2.81%.

The latest transparency declarations are available on the internet site [www.solvay.com](http://www.solvay.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 initial 3% transparency declaration threshold;
- European and international institutional shareholders, whose number and interest can be measured by the intensity of

contacts at the many roadshows, by the regular publication of analysts' reports and by the level of trading volumes over recent years (an average daily trading volume on Euronext of 247 000 shares in 2011 and 182 000 shares in 2010).

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, however, remains free to vote as he or she chooses.

**1.4.** At the May 2010 and May 2011 Shareholders' Meetings, shares were deposited and votes cast in respect of an average 46% of Solvay SA's capital.

**1.5.** At December 31, 2011, Solvay SA did not hold any shareholding requiring a legal or statutory transparency declaration.

## 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, in part of which are distributed (see "Dividend policy" below).

**2.1.2.** By resolution of the Extraordinary Shareholders' Meeting of May 12, 2009, the Board of Directors was authorized, for a period of five years from that date, to acquire or dispose of, on the stock exchange, company shares representing up to 20% of its capital (i.e. 16 940 000 shares), at a price of between EUR 20 and EUR 150.

Very limited use was made of this facility in 2011 for the requirements of a liquidity contract (see item 1.2. above) and to cover stock option commitments (see item 2.1.3. below) and in the framework of a treasury share investment program introduced in early 2010 and which expired at the end of 2011. The 880 766 own shares purchased by Solvay SA in

this context have been transferred to Solvay Stock Option Management SPRL to cover stock options.

**2.1.3.** 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 the Solvay group on the stock exchange. Since January 2007, the covering program has been handled by Solvay Stock Option Management SPRL. This covering program was authorized for a 5-year period by the Extraordinary Shareholders' Meeting of May 12, 2009.

At December 31, 2011, Stock Option Management SPRL's holdings of Solvay SA shares represented 4.13% (3 284 625 shares) of the company capital. On February 17, 2012, this shareholding fell below the 3% threshold to 2.81%.

The most recent annual program of stock options (exercisable from January 1, 2015 to December 13, 2019) was offered at the end of 2011 to around 200 Group executives, at an exercise price of EUR 65.71 per share. This price represents the average closing price of the Solvay share on Euronext during the 30 days

### Stock options plans

Issue date	Exercise price (in EUR)	Exercise date	Acceptance rate
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%
2009	72.34	01/2013-12/2017	98.2%
2010	76.49	01/2014-12/2018	98.1%
2011	65.71	01/2015-12/2019	93.8%

preceding the offering of options. 93.8% of these stock options were accepted by these executives.

In 2011, stock options representing a total of 480 577 shares were exercised (it should be noted that options are in principle exercisable over a period of five years<sup>1</sup> after being frozen for three years).

The stock options exercised break down as follows:

- 2000 stock option plan: 12 300 shares
- 2001 stock option plan: 18 900 shares
- 2002 stock option plan: 14 800 shares
- 2003 stock option plan: 180 800 shares
- 2004 stock option plan: 182 277 shares
- 2005 stock option plan: 55 700 shares
- 2007 stock option plan: 15 800 shares

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

As part of the integration of Rhodia

into the Solvay group and in order to harmonize the conditions for the granting of stock options, future stock option plans will be widened to a larger number of beneficiaries. In addition, owing to this integration, the Board has decided to advance the 2012 plan to the month of March.

Finally it should be mentioned that, under the tender offer by Solvay SA for the shares of Rhodia, liquidity agreements were concluded with employees receiving free shares or options on Rhodia shares to enable these beneficiaries to retain their rights and to sell their Rhodia shares during a specified period after the close of the tender offer.

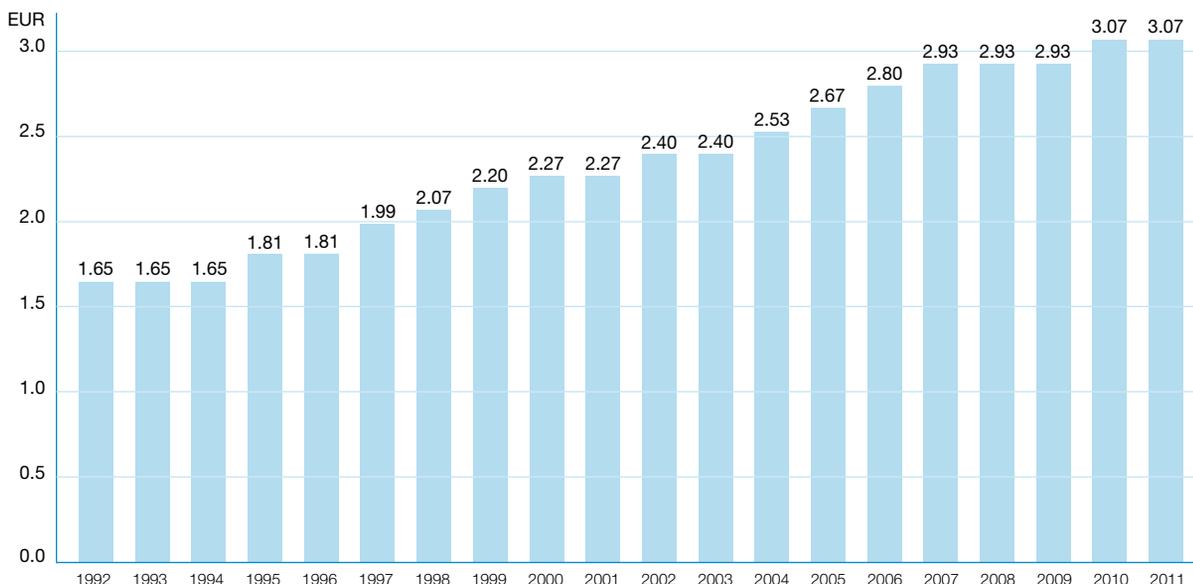
**2.1.4.** At its December 14, 2011 meeting, the Board of Directors implemented its annual stock option plan in favor of around 200 Group executives, including the Members of the Executive Committee. These include Mr. Christian Jourquin and Mr. Bernard de Laguiche, who are also directors. The latter persons therefore abstained, for ethical reasons, from the deliberations of the Board of Directors that concerned

them with respect to stock options.

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 routine operations undertaken under normal market conditions and normal market safeguards for operations of the same type. Mr. Christian Jourquin and Mr. Bernard de Laguiche accepted 25 000 and 20 000 options respectively. At his request, the number of options granted in 2011 to the Chairman of the Executive Committee was limited to the number granted the year before.

**2.1.5.** Independently of the authorization mentioned in paragraph 2.1.2. above and in a defensive context, the company has the ability to buy back its own shares on the stock market, up to 20% of the subscribed capital, with no price floor or cap, 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 2011 for a three-year period by an

**Solvay dividend (gross) from 1992 to 2011 (in EUR)**



1. Increased to eight years in the case of the 1999 to 2002 Stock Options Plans, for beneficiaries in Belgium. Increased to 10 years in the case of the 2005 to 2007 Stock Options Plans, for beneficiaries in Belgium.

Extraordinary Shareholders' Meeting of the company.

## 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 page 183 illustrates the application of this policy over the past 20 years.

**2.2.2.** The annual dividend is paid in two installments, 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. 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 2011, an interim dividend of EUR 0.90 net per share (EUR 1.20 gross before Belgian withholding tax in full discharge at 25%) was approved by the Board of Directors on October 26, 2011. This interim dividend (coupon no. 89), which was paid on January 19, 2012, is to be offset against the total dividend for 2011, which was proposed by the Board of Directors on February 15, 2012.

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 installment, i.e. the balance after deducting the advance payment, is payable in May.

The net dividend for 2011 proposed to the General Shareholders' Meeting of May 8, 2012 is EUR 2.30 net per

share (EUR 3.0667 gross per share), unchanged from the dividend for 2010.

Given the interim dividend payment made on January 19, 2012 (EUR 0.90 net per share – coupon no. 89), the balance of EUR 1.40 net per share will be payable from May 15, 2012 (coupon no. 90).

**2.2.3.** Shareholders who have opted to hold registered shares receive the interim 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 dematerialized shares receive their dividends via their banks or as they elect and arrange.

Coupons representing the interim dividend and dividend balance are payable at KBC Bank SA and CBC Banque SA:

- KBC Bank SA, Havenlaan 2  
1080 Brussels (Belgium)
- CBC Banque SA, Grand-Place 5  
1000 Brussels (Belgium)

**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. This option does not offer in Belgium any tax or financial benefit to make it attractive to investors.

## 3. Shareholders' Meetings

It should be noted that the law of December 20, 2010 concerning the exercise of certain rights of shareholders in listed companies has modified the provisions of the Companies' Code concerning the holding of general meetings. The

by-laws of Solvay SA have been adapted accordingly, with the ensuing amendments coming into force on January 1, 2012.

The Ordinary Shareholders' Meeting of Solvay SA, to be held on May 8, 2012, will be organized pursuant to the new legal provisions.

### 3.1. Place and date

The company's annual Ordinary Shareholders' Meeting is held every year on the second Tuesday of May at 10.30 at the registered office or any other place indicated in the notice of meeting.

The Board tries to organize any necessary Extraordinary Shareholders' Meeting immediately before or after the annual Ordinary Shareholders' Meeting.

### 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 set its agenda where those shareholders together represent 20% of the capital, as required by the Companies' Code. One or more shareholders owning together at least 3% of capital, may also, under the conditions provided for by the Companies' Code, call for items to be included on the agenda of any shareholders' meeting and submit proposals for decisions concerning the items to be included or already included on the agenda of an already convened Meeting.

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

- the Board of Directors' report on the financial year, including the Corporate Governance report and the compensation report;
- the auditor's report for the 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);
- the company's compensation report (included in Chapter 6 below), which has been previously communicated to the Works' Council as provided by law;
- 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 set forth the place, date and time of the meeting, the agenda, the reports, proposed decisions 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 post office mail at the address they have given, including notification of participation and proxy forms, except where recipients have agreed, individually, expressly and in writing, to receive notice of meetings by another means of communication. Persons owning

dematerialized shares are notified of meetings by announcements in the press. These notices of meetings are published in the official Belgian gazette (*Moniteur Belge/ Belgisch Staatsblad*) and in the financial press, in particular the Belgian French and Dutch-language newspapers. The major banks established in Belgium also receive the necessary documentation to pass on to Solvay shareholders among their clients.

### 3.4. Participation in Shareholders' Meetings and appointment of proxies

**3.4.1.** Since January 1, 2012, the registration procedure is obligatory for participating in and voting at the Shareholders' Meeting. Shareholders must complete the registration of their securities by the 14<sup>th</sup> calendar day at 24.00 hours (Belgian time) prior to the relevant Shareholders' Meeting.

For holders of registered shares, shares are registered automatically by the fact of being in the company's register of registered shares on the registration date.

Dematerialized shares are registered by the fact of their being recorded in the accounts of a recognized account holder or a clearing organization.

Shareholders are admitted to the Shareholders' Meetings and may exercise their voting rights with the shares which have gone through the legal registration procedure, regardless of the number of shares they hold on the date of the particular Shareholders' Meeting.

**3.4.2.** Shareholders should also indicate to the company and, where applicable, to the person they have designated to that effect, their desire to take part in the Shareholders' Meeting, no later than the sixth calendar day preceding the date of the Shareholders' Meeting.

Holders of registered shares must send to the company the signed original notice of participation, using the form attached to their notice of meeting.

Holders of dematerialized shares should send the company a certificate from the recognized account holder or the clearing organization certifying the number of shares registered in their name in their accounts at registration date and for which the shareholder states he wishes to participate in the Shareholders' Meeting.

More detailed information on arrangements for taking part in the Shareholders' Meeting will be made available to shareholders on the company website (<http://www.solvay.com/EN/Investors/Corporategovernance/ShareholdersMeetings.aspx>).

**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 pending such appointment.

**3.4.4.** Shareholders vote at Shareholders' Meetings in person or by proxy. The form of proxy is determined by the Board and will be available on the company website once the Shareholders' Meeting in question has been called. Proxies must be received at the location indicated or, where applicable, at the email address mentioned in the notice no later than the 6<sup>th</sup> calendar day preceding the date of the Shareholders' Meeting.

The mandated agent does not have

to be, as was previously the case, a shareholder of the company.

In the event that certain shareholders exercise their right to add items or proposals for decisions to the agenda of a Shareholders' Meeting, the proxies already notified to the company remain valid for the subjects they cover. Regarding the new items, the reader is referred to the provisions of the Companies Code.

The mandated agent may not deviate from the specific voting instructions given to him by a shareholder, except for the exceptions provided by the Companies Code.

In the absence of specific instructions on each agenda item, the agent who finds himself in a situation of potential conflict of interest with his principal, within the meaning of Article 547bis, § 4 of the Companies Code, may not vote.

Invalid proxy forms will be excluded from the count. Abstentions formally expressed as such during a vote or on proxy forms are counted as such.

**3.4.5.** Each shareholder who complies with the formalities for admission to the Shareholders' Meeting is entitled to ask questions in writing concerning the items on the agenda. These questions can be submitted by mail to the registered office or electronically to the email address specified in the notice. Written questions must reach the company no later than the 6<sup>th</sup> calendar day before the date of the Shareholders' Meeting.

### 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 or a Director delegated to this task by his colleagues. 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 secretary of the meeting, who as a rule is the Corporate Secretary, and will appoint two shareholders as tellers.

**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 company respects the legal rules governing quorums and majorities.

**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 to date. 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.** The minutes containing the voting results will be published on the company's internet site ([www.solvay.com](http://www.solvay.com)) no later than the 15<sup>th</sup> calendar day after the date of the Shareholders' Meeting. Minutes of the most recent Shareholders' Meetings

are also available on the company's internet site ([www.solvay.com](http://www.solvay.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.com](http://www.solvay.com) as from the time of convening of the meeting and at least until the holding of the meeting in question.

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 reserved, 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, semiannual 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. Approving the reference frameworks for internal control and for risk management.

4. Adopting the budget and long-term plan, including investments, R&D and financial objectives.

5. Appointing the Chairman, Members of the Executive Committee, General Managers and the Corporate Secretary, and setting their missions and the extent of the delegation of powers to the Executive Committee.

6. Supervision of the Executive Committee and ratification of its decisions, where required by law.

7. Appointing from among its members a Chairman and a Vice-Chairman, and creating from among its members an Audit Committee, a Compensation Committee, a Nomination Committee and a Finance Committee, defining each Committee's mission and determining its composition and its duration.

8. 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.

9. Setting the compensation of

the Chairman of the Executive Committee, of Executive Committee Members and of General Managers.

10. 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.

**4.2.3.** Subject to what is set out in 2.1.4. (Article 523 of the Companies Code, page 183), the Directors of the company were not confronted in

2011 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 abstain from participating in debates and in voting. For example, Directors on the Executive Committee when the Board of Directors was deciding on the renewal of their terms of office.

## 4.3. Composition

### 4.3.1. Size & Composition

At December 31, 2011, the Board of Directors consisted of 16 members, as listed on page 189.

**4.3.2.** During 2011, the Board of Directors was chaired by Mr. Aloïs Michielsens, with Mr. Denis Solvay as Vice-Chairman.

Mr. Aloïs Michielsens, who reached the age limit of 70 years in January 2012, will leave the Board of Directors of Solvay and his presidency after the Ordinary Shareholders' Meeting on May 8, 2012. The Board has decided unanimously to appoint Mr. Nicolas Boël to succeed Mr. Aloïs Michielsens as Chairman of the Board with effect from May 9, 2012.

At the Ordinary Shareholders' Meeting of May 10, 2011:

- the independent directorships of Mr. Charles Casimir-Lambert and Mr. Yves-Thibault de Silguy were renewed for four-year terms;
- the independence, under the law of December 17, 2008, of Ms. Evelyn du Monceau was confirmed. Ms. Evelyn du Monceau has ceased to be a non-executive director of Solvac SA for more than one year (see criteria of independence under item 4.3.4. below).

At the Ordinary Shareholders' Meeting on May 8, 2012, the Board of Directors will propose:

- to renew for a four-year term the directorship of Mr. Jean-Marie Solvay;
- to appoint Mr. Jean-Pierre Clamadieu as Director to replace Mr. Aloïs Michielsen, whose term he will complete; his resume will be attached to the notices convening the Ordinary Shareholders' Meeting. It will formally take note of the resignation of Mr. Jourquin as a member of the Board.

#### Terms of office and age limit

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

The age limit for membership on the Board is the annual Shareholders' Meeting following the member's 70<sup>th</sup> 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.

#### 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 December 31, 2011, 14 out of 16 directors were non-executive, and two belonged to the Executive Committee (Mr. Christian Jourquin and Mr. Bernard de Laguiche);
- 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, at December 31, 2011, the independent status of 9 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 December 31, 2011, the Board included members of seven 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 2011 (96%);
- 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;
- Belgian law and the by-laws of the company permit spontaneous candidacies for the post of director, providing that these are addressed to the company in writing at least 40 days before the Ordinary Shareholders' Meeting.

As required by law, the Board of Directors, consisting of 14 men and 2 women at December 31, 2011, will take care, when mandates are next renew, to respect, within the imparted deadlines, the requirement to have at least one third of women on the Board.

The Chairman of the Board, working together with the Chairman of the Nomination Committee, 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 legal criteria of independence

as contained in article 526ter of the Companies' Code (introduced by the law of December 17, 2008 (art. 16)), are as follows:

1. During a period of five years before appointment, not having exercised a mandate as an executive member of the management body or a function of member of the executive committee or managing director in the company or in a company or person affiliated with the same within the meaning of article 11 of the Companies' Code. The Board of Directors has added to this criterion a minimum one-year waiting period for the Shareholders' Meeting to recognize the independence of a nonexecutive director of Solvac leaving its Board of Directors to join the Solvay Board of Directors;
2. Not having sat on the board of directors in the capacity of a nonexecutive director for more than three successive terms of office or more than twelve years;
3. During three years prior to appointment, not having 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 an affiliated person within the meaning of article 11 of the Companies' Code;
4. Not having received compensation or any other significant benefit of a patrimonial nature from the company or an affiliated company or person 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 holding any ownership rights in the company representing a

	Year of birth	Year of 1 <sup>st</sup> appointment	Solvay SA mandates, and expiry date of directorship	Diplomas and activities outside Solvay	Presence at meetings in 2011 as a function of date of appointment
Mr. Alois Michielsens (B)	1942	1990	Chairman of the Board of Directors and of the Finance, Compensation and Nomination Committees, until May 8, 2012 inclusive	Civil engineering degree in chemistry and MA in Applied Economics (Catholic University of Louvain), Business Administration (University of Chicago).	8/8
Mr. Denis Solvay (B)	1957	1997	2014 Director, Vice-Chairman of the Board of Directors until May 8, 2012 inclusive and Member of the Compensation and Nomination Committees	Commercial engineering degree (Free University of Brussels), Director of Eurogentec, Director and Member of the Executive Committee of Abelag Holding.	8/8
Mr. Christian Jourquin (B) (*)	1948	2005	Chairman of the Executive Committee, Director, Member of the Finance Committee and guest of the Compensation and Nomination Committees until May 10, 2012 inclusive	Commercial Engineering degree (Free University of Brussels), ISMP Harvard.	8/8
Mr. Bernard de Laguiche (F/BR) (*)	1959	2006	2013 Member of the Executive Committee, Director and Member of the Finance Committee	Commercial Engineering degree, MA in economics HSG (University of St. Gallen, Switzerland).	8/8
Mr. Jean-Marie Solvay (B)	1956	1991	2012 Director and Member of the Innovation Board	Advanced Management Programme – Insead, CEO of Albrecht RE Immobilien GmbH & Co. KG., Director of Heliocentris GmbH & Co. KG (Germany).	8/8
Chevalier Guy de Selliers de Moranville (B)	1952	1993	2013 Director Member of the Finance and Audit Committees	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 Metallurgical Group (Netherlands), Vice-Chairman of the Board Committee of Ageas SA, Chairman of the Board of Ageas UK, and various other mandates in unlisted companies.	8/8
Mr. Nicolas Boël (B)	1962	1998	2013 Director Member of the Nomination Committee From May 9, 2012: Chairman of the Board of Directors, Chairman of the Finance Committee and Chairman of the Compensation Committee	MA in Economics (Catholic University of Louvain), Master of Business Administration (College of William and Mary – USA) Director of Sofina.	8/8
Mr. Jean van Zeebroeck (B)	1943	2002	2014 Independent Director Member of the Compensation and Nomination Committees	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.	8/8
Mr. Jean-Martin Folz (F)	1947	2002	2014 Independent Director Member of the Compensation and Nomination Committees From May 9, 2012: Chairman of the Nomination Committee	Ecole Polytechnique and Mining Engineer (France), former Chairman of PSA Peugeot-Citroën, Chairman of Eutelsat, Director of Saint-Gobain, of Société Générale, of Alstom and of Axa, Member of the Supervisory Board of ONF-Participations.	7/8
Prof. Dr. Bernhard Scheuble (D)	1953	2006	2014 Independent Director Chairman of the Audit Committee	MSc, Nuclear Physics & PhD, Display Physics (Freiburg University – Germany), Former Chairman of the Executive Committee of Merck KGaA, (Darmstadt) and former Member of the E. Merck OHG Board of Directors.	8/8
Mr. Anton van Rossum (NL)	1945	2006	2014 Independent Director Member of the Audit Committee	MA in Economics and Business Administration (Erasmus University Rotterdam), Board Member of Crédit Suisse (Zurich), Supervisory Board Member of Munich Re (Munich), Chairman of the Supervisory Board of Royal Vopak (Rotterdam), Chairman of the Supervisory Board of Erasmus University Rotterdam and Chairman of the Netherlands Economics Institute (Rotterdam).	6/8
Mr. Charles Casimir-Lambert (B/CH)	1967	2007	2015 Independent 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), Supervision of family's global interests.	8/8
Ms. Petra Mateos-Aparicio Morales (ES)	N/A	2009	2013 Independent Director Member of the Finance Committee	PhD in Economics and Business Administration (Universidad Complutense, Madrid – Spain), Executive President of Hispasat (Spain and International); Professor at the University of Business Administration, UNED & CUNEF, Madrid.	8/8
Baron Hervé Coppens d'Eeckenbrugge (B)	1957	2009	2013 Independent Director Member of the Finance Committee	MA in Law from the University of Louvain-la-Neuve (Belgium), Diploma in Economics and Business, ICHÉC (Belgium), Director of companies in the Petercam sa group and Managing Director of Petercam Institutional Bonds sa, Director of Vital Renewable Energy Company LLC (Delaware).	8/8
Mr. Yves-Thibault de Silguy (F)	1948	2010	2015 Independent director Member of the Compensation and Nomination Committees	MA in Law from the University of Rennes, DES in public law from the Université de Paris I, graduate of the Institut d'Etudes Politiques de Paris and the Ecole Nationale d'Administration, Vice-Chair and Lead Director of the VINCI group, Director of LVMH, Chairman of the Supervisory Board of Sofisport (France) and Trustee of the International Financial Reporting Standards Foundation (IFRS Foundation).	6/8
Ms. Evelyn du Monceau (B)	1950	2010	2013 Independent director Member of the Compensation and Nomination Committees	MA in Applied Economics from the Catholic University of Louvain, Member of the Board of Directors of La Financière de Tubize SA, Vice Chair of the Board and Chair of the Remuneration and Nomination Committee of UCB SA, Director of FBNet Belgium, Member of the Fondation Commission Corporate Governance, Member of the Orientation Council of NYSE Euronext Brussels.	8/8

\* Full-time activity in the Solvay group.

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 meeting the conditions of this item;

6. Not maintaining, or having maintained during the past financial year, a significant business relationship with the company or with an affiliated company or person 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 having been, during the past three years, a partner or salaried employee of the current or previous external auditor of the company or of an affiliated company or person within the meaning of article 11 of the Companies' Code;

8. Not being 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 maintaining other major connections with the executive directors of the company as a result of functions exercised in other companies or bodies;

9. Not having, either within the company or within an affiliated company or person 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 the position of member of the management body, of member of the executive committee, of a 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.

At December 31, 2011, 9 out of 16 directors fulfilled the criteria of independence, as confirmed by a vote of the Ordinary Shareholders' Meeting of May 10, 2011:

- Mr. Aloïs Michielsen, having been Chairman of the Executive Committee of Solvay until May 9, 2006, was not recognized as independent at the time of renewal of his directorship in May 2009 (criterion no. 1);
- Messrs. Christian Jourquin and Bernard de Laguiche, Chairman and Member of the Executive Committee respectively, were not recognized as independent at the time of renewal of their directorships in May 2009 (criterion no. 1);
- Mr. Nicolas Boël, Mr. Denis Solvay, Mr. Jean-Marie Solvay and Chevalier Guy de Selliers de

Moranville, having been Directors of the company for over 12 years, are not independent for this reason (criterion no. 2).

#### **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. It also submits to it the vote on the independence of the Directors fulfilling the related criteria, after informing the Works' Council of the same. It also seeks first the opinion of the Nomination Committee, which is tasked with defining and assessing the profile of any new candidate using 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 eight times in 2011 (five ordinary and three extraordinary meetings). Five ordinary meetings are planned in 2012.

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 of its members. 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

In 2010, the Board of Directors undertook an evaluation, focused primarily on its own composition, *modus operandi*, information and its interactions with executive management, 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 named GUBERNA. The Chairman of the Board then met individually with each Board member. In addition to the subjects listed above, the meetings focused on assessing the individual directors' contributions to the Board's work

and, where applicable, the renewal of their directorships.

The improvements decided by the Board at the end of this evaluation process are: increasing the time allotted to questions and answers during executive management's presentation of quarterly results, ex-post evaluation of past policy decisions in order to draw lessons for the future, and also the addition of Human Resources to the list of regular executive management presentations to the Board. It was also decided to add a third meeting of the Nomination Committee to the calendar for 2011. The next evaluation of the Board will take place in 2013.

### 4.4.2. Training

An induction program is provided for new Directors, aimed at acquainting them with the Solvay group as quickly as possible. The program includes a review of the Group's strategy and its sectors of activity and of the main challenges in terms of growth, competitiveness and innovation, as well as finance, research & development, human resources management, the legal context, compliance and the general organization of operations. This program is open to every Director who wishes to participate. It also includes visiting industrial or research sites.

## 4.5. Committees

### 4.5.1. Rules common to the various Committees

- The Board of Directors has set up on a permanent basis the following specialized Committees: the Audit Committee, the Finance Committee, the Compensation Committee and the Nomination 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.

- Terms of office on the four Committees are for two years and are renewable. The composition of these Committees is communicated on the company's internet site.
- Members of the permanent Committees (except for Executive Committee members) receive separate compensation for this task.
- The Board of Directors may set up a temporary ad hoc committee to liaise with the Executive Committee on an important issue. One such committee was set up at the end of 2009 to examine the reinvestment of the proceeds of the sale of the Group's pharmaceuticals activities.

The terms of members of various committees will mature on May 1, 2012. The Board of Directors has decided to extend these until the date of the Ordinary Shareholders' Meeting on May 8, 2012 in order to reflect the changes ensuing on Mr. Alois Michielsen's departure on that date. The Board has further decided to have in future the renewal dates of the Committees coincide with the dates of Ordinary Shareholders' Meetings. The new composition of Committees will therefore take effect on May 9, 2012 for a period of two years, ending on the date of the Ordinary Shareholders' Meeting to be held in May 2014.

### 4.5.2. The Audit Committee

In 2011, the Audit Committee was composed of Prof. Dr. Bernhard Scheuble (Chairman), Chevalier Guy de Selliers de Moranville, Mr. Anton van Rossum and Mr. Charles Casimir-Lambert. These are independent non-executive directors, with the exception of Chevalier Guy de Selliers de Moranville. The Secretariat of this Committee is provided by a member

of the Group's internal legal staff.

This Committee met four times in 2011, each time before a Board meeting scheduled to consider the publication of periodical results (quarterly, half-yearly and annual). Participation in Audit Committee meetings was a very high 100%.

The Audit Committee is tasked with monitoring the effectiveness of 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 was reviewed in 2009 to integrate the requirements of the legal mission instituted by the law of December 17, 2008.

At each meeting, the Audit Committee hears reports from the Chief Financial Officer, the Head of the Group Service Internal Audit and of the Auditor in charge of the External Audit (Deloitte, represented by Mr. Eric Nys). It also examines the quarterly report by the Group General Counsel 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. The Directors belonging to this Audit Committee fulfill the criterion of competence by their training and by the experience gathered during their previous functions (see section 4.3. concerning the composition of the Board of Directors).

#### **4.5.3. The Finance Committee**

In 2011 the Finance Committee consisted of Mr. Aloïs Michielsen (Chairman), Mr. Christian Jourquin (Chairman of the Executive

Committee) and Mr. Bernard de Laguiche (Member of the Executive Committee and Chief Financial Officer) and three Directors, Ms. Petra Mateos-Aparicio Morales, Chevalier Guy de Selliers de Moranville and Baron Hervé Coppens. Mr. Michel Defourny is secretary to this Committee.

This Committee met four times in 2011. Participation of the members of the Finance Committee was very high (100%).

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 policy of buying in own shares, the content of financial communication, the financing of major investments, etc. It finalizes the preparation of the press releases announcing the quarterly results. It may also be called on to give opinions on Board policies on these matters.

Mr. Nicolas Boël has been an invited guest at meetings of the Finance Committee since January 1, 2012 and will become a Member and Chairman from May 9, 2012, replacing Mr. Michielsen. Mr. Jean-Pierre Clamadieu will succeed Mr. Christian Jourquin as a member of the Finance Committee with effect from May 11, 2012 subject to his appointment as a Director of Solvay.

#### **4.5.4. The Compensation Committee**

The Compensation Committee consists of Mr. Aloïs Michielsen (Chairman), Messrs. Denis Solvay, Jean van Zeebroeck, Jean-Martin Folz and Yves-Thibault de Silguy, and, from May 10, 2011, Ms. Evelyn du Monceau. A majority of the members of this Committee have independent Director status within the meaning of the law. Mr. Christian Jourquin is

invited to meetings in his capacity as Chairman of the Executive Committee, except for matters that concern him personally. The secretary of this Committee is Mr. Daniel Broens.

This Committee met three times in 2011. Participation of the members of the Compensation Committee was very high (100%).

Directors belonging to both the Compensation Committee and the Nomination Committee do not receive double compensation, but receive a single attendance fee of EUR 2,500 per session.

The Compensation Committee fulfills the missions imposed on it by law. In particular 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). It also prepares the report on compensation policy.

The Compensation Committee has the expertise necessary to perform its missions.

Mr. Nicolas Boël has been an invited guest at meetings of the Compensation Committee since January 1, 2012 and will become a Member and Chairman from May 9, 2012, replacing Mr. Michielsen. Mr. Jean-Pierre Clamadieu will succeed Mr. Christian Jourquin as an invited guest of the Compensation Committee from May 11, 2012 subject to his appointment as a Director of Solvay.

#### **4.5.5. The Nomination Committee**

The Nomination Committee consists of Mr. Aloïs Michielsen (Chairman), Messrs. Denis Solvay, Nicolas Boël, Jean van Zeebroeck, Jean-Martin

Folz, Yves-Thibault de Silguy and Ms. Evelyn du Monceau. A majority of the members of the Nomination Committee are independent non-executive Directors.

Mr. Christian Jourquin is invited to meetings in his capacity as Chairman of the Executive Committee, except for matters that concern him personally.

The secretary of this Committee is Mr. Michel Defourny.

The Committee met four times in 2011. The participation of members of the Nomination Committee was high (93%).

Directors belonging to both the Compensation Committee and the Nomination Committee do not receive double compensation, but receive a single attendance fee of EUR 2 500 per session.

The Nomination Committee gives its opinion on appointments to the Board of Directors (Chairman, Vice-Chairman, new members, renewals and Committees), to Executive Committee positions (Chairmanship and Members) and to General Management positions.

Mr. Jean-Martin Folz will chair this Committee upon the departure of Mr. Alois Michielsen. Mr. Jean-Pierre Clamadieu will succeed Mr. Christian Jourquin as an invited guest of the Nomination Committee from May 11, 2012 subject to his appointment as a Director of Solvay.

## 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 5 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 corresponding to the decision or recommendation.

### 5.3. Composition

#### 5.3.1. Size and composition

At December 31, 2011, the Executive Committee had eight members. It should be emphasized here that Messrs. Jean-Pierre Clamadieu and Gilles Auffret joined the Executive Committee on September 8, 2011 following the acquisition of Rhodia Group, as Deputy CEO and Executive Committee member respectively.

Mr. Jourquin's term of office as Chairman of the Executive Committee will end on May 10, 2012, with Mr. Clamadieu, the Deputy CEO, succeeding Mr. Jourquin from May 11, 2012 subject to his appointment as a Director of Solvay.

### 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. An exception to this rule was decided by the Board of Directors on December 14, 2011 in favour of Mr. Gilles Auffret, whose mandate has been renewed for a further two-year term. This exception is justified by the transition situation due to the integration of Rhodia into the Solvay Group.

### 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 and the Deputy CEO, its members were at the end of 2011 the Chief Financial Officer, the Group General Managers of the three Sectors (Chemicals, Plastics and Rhodia), the Group General Manager Technology, Research Services and Procurement,

and the Region General Manager Asia-Pacific.

All Executive Committee members have employment contracts with the Solvay group, except for the Chairman and the Deputy CEO, who have 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 Nomination 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 Nomination 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 Committee whenever proposals are made for setting variable compensation. The performance of the Chairman of the Executive Committee is assessed annually by the Compensation Committee.

### 5.4. Frequency, preparation and procedure of meetings

**5.4.1.** The Executive Committee met 20 times in 2011. 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.

	Year of birth	Year of 1 <sup>st</sup> 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	May 10, 2012	Commercial Engineering degree (Free University of Brussels), ISMP Harvard, Chairman of the Executive Committee.	20/20
Mr. Jean-Pierre Clamadieu (F)	1958	2011	2013	Engineering degree from the Ecole des Mines (Paris), Deputy CEO.	7/7
Mr. Bernard de Laguiche (F/BR)	1959	1998	2014	Commercial engineering degree – MA in economics HSG (University of St Gallen – Switzerland), Executive Committee Member in charge of Finance/ Information Systems.	20/20
Mr. Jacques van Rijckevorsel (B)	1950	2000	2013	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. Vincent De Cuyper (B)	1961	2006	2014	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.	20/20
Mr. Jean-Michel Mesland (F)	1957	2007	2013	Engineering degrees from the Ecole Polytechnique and the Ecole des Mines (Paris) – AMP Harvard. Executive Committee member in charge of Technology, Research Services and Procurement.	20/20
Mr. Roger Kearns (US)	1963	2008	2014	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.	20/20
Mr. Gilles Auffret (F)	1947	2011	2014	Engineering degree from the Ecole Polytechnique, graduate of the Ecole Nationale d'Administration (ENA), the Ecole des Sciences Politiques and the Ecole Nationale de la Statistique et de l'Administration Economique (ENSAE), Executive Committee Member in, charge of the Rhodia Sector.	7/7

**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.

It should be noted that the Executive Committee organized certain meetings in teleconference format, given that one member is physically located in Asia.

**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 100% in 2011. 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, enlarged to include the other General Managers, holds an off-site meeting to discuss the Group's strategic directions. A meeting of this type was organized in 2010. This was devoted to the Horizon project to reorganize the Group, as part of the strategy to make the Group a major player in sustainable chemistry.

## 6. Compensation report

### 6.1. Description of the procedure for:

#### 6.1.1. Developing a compensation policy:

a) for Directors:

Directorships 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, which states that "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 compensation 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 Committee.

In 2005, based on a proposal by the Compensation and Nomination Committee, the Board of Directors updated its compensation policy for its main senior managers, including the members of the Executive Committee. This policy, which was developed with the help of a specialist outside consultant, is set out in an annex 2 to this document.

Given the acquisition of Rhodia in 2011 and as part of its integration into the Group, it is planned to review this policy in the course of 2012 with the aim of implementing it at the start of 2013.

#### 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 compensation 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, namely: EUR 4 000 gross for members and EUR 6 000 gross for the Chairman;
  - and, lastly, to grant attendance fees, for the Compensation Committee, the Nomination Committees and the Finance Committee, of EUR 2 500 gross

per member and EUR 4 000 gross for the Chairmen of these Committees, on the understanding that a Director belonging to both the Compensation Committee and the Nomination Committee does not receive double compensation; – but with the specification that the Chairman of the Board, the Chairman of the Executive Committee and the Executive Directors do 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 bylaws to grant an additional fixed compensation of EUR 238 201 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 a contractual amount of EUR 446 755 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.
- (iii) 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.
- (iv) 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 support provided by the Group (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.

- 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 compensation 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 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 2011 financial year, is set out in Annex 2 to this document.

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 opposite)

#### **6.4. Amount of compensation and other benefits granted directly or indirectly to the Chairman of the Executive Committee.**

(see table opposite)

The Chairman of the Executive Committee receives stock options as explained below. He does not, however, receive shares as part of his compensation package. 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 that are financially comparable with those applicable, leaving aside any contributions, to his Executive Committee colleagues related to the Pension Regulations for executives in Belgium.

Given that he is aged over 60, any early departure of the Chairman of the Executive Committee would be deemed retirement. This means that no severance indemnity would be owed to him. The Chairman of the Executive Committee would be entitled to his pension capital given his recognized service at the date of departure. In the case of retirement prior to age 65, a reduction of 0.5% by month of anticipation is applied to this capital.

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

(see table opposite)

Variable compensation consists of an annual incentive based on the performance of the Solvay group (ROE) and on each Executive Committee member's performance against individual objectives (for further details see the table on page 207). In 2010, the Board did not make use of its discretionary powers to increase the ROE share of variable remuneration, preferring to smooth the ROE fluctuations resulting from the major changes in the shape of the Group in 2010 and 2011. The variable compensation of Messrs. Clamadieu

## GROSS COMPENSATION AND OTHER BENEFITS GRANTED TO DIRECTORS

Compensation	2010		2011	
	Gross amount	Including Board of Directors and Committees attendance fees	Gross amount	Including Board of Directors and Committees attendance fees
A. Michiels				
– Fixed emoluments + attendance fees	50 000.04	15 000.00	55 000.04	20 000.00
– “Article 27” supplement	231 218.28		238 201.07	
– Compensation for complementary pension rights	433 658.74		446 755.23	
N. Boël	57 500.04	22 500.00	62 500.04	27 500.00
D. Solvay	52 500.04	17 500.00	65 000.04	30 000.00
C. Jourquin	50 000.04	15 000.00	55 000.04	20 000.00
J-M. Solvay	50 000.04	15 000.00	55 000.04	20 000.00
G. de Selliers	76 000.04	41 000.00	81 000.04	46 000.00
Wh. Sadler	12 607.54			
J. van Zeebroeck	57 500.04	22 500.00	65 000.04	30 000.00
J-M. Folz	55 000.04	20 000.00	62 500.04	27 500.00
B. de Laguiche	50 000.04	15 000.00	55 000.04	20 000.00
B. Scheuble	74 000.04	39 000.00	79 000.04	44 000.00
A. Van Rossum	63 500.04	28 500.00	66 000.04	31 000.00
C. Casimir-Lambert	66 000.04	31 000.00	71 000.04	36 000.00
H. Coppens d’Eeckenbrugge	50 000.04	15 000.00	65 000.04	30 000.00
Ms. P. Mateos-Aparicio Morales	60 000.04	25 000.00	65 000.04	30 000.00
Ms. E. du Monceau	32 392.50	10 000.00	65 000.04	30 000.00
Y-T. de Silguy	32 392.50	10 000.00	60 000.04	25 000.00
	<b>1 554 270.12</b>	<b>342 000.00</b>	<b>1 711 956.94</b>	<b>467 000.00</b>

Compensation and other benefits granted to the Chairman of the Executive Committee	2010	2011
Base compensation	776 804	776 804
Variable compensation	926 625	955 469
Pension and death-in-service and disability coverage (costs paid or provided for)	250 000	229 481
Other compensation components <sup>3</sup>	15 676	22 402

Compensation and other benefits granted to the other members of the Executive Committee <sup>2</sup>	2010	2011
Base compensation	2 278 519	2 648 581
Variable compensation	1 699 342	1 704 062
Pension and death-in-service and disability coverage (costs paid or provided for)	398 109	643 573
Other compensation components <sup>3</sup>	85 597	87 884

and Auffret for 2011 was set under the rules in force at Rhodia and as a function of their objectives.

The law (Art. 520<sup>ter</sup> of the Companies’ Code) provides that from 2011 onwards, in the absence of statutory provisions to the contrary or express approval by the general meeting of shareholders, at least one quarter of the variable compensation of Executive Committee members must be based on predetermined criteria of performance that are objectively measurable over a period of at least two years, and another quarter at least should be based on predetermined performance criteria that are objectively measurable over a period of at least three years.

1. Company vehicles.
2. These amounts include the compensation of Messrs. Clamadieu and Auffret since October 1, 2011, following their appointment to the Solvay Executive Committee on September 8, 2011.
3. Representation allowance, luncheon vouchers, company car, housing allowance,...

Given the significant changes under way in terms of organizational and business scope, the Board has asked the Shareholders' Meeting and received its authorization to continue the current system for 2011 and 2012, given that the current system is already based on predetermined and objectively measurable performance criteria. The policy review in the course of 2012 will reflect the legal requirements in this area.

Executive Committee members receive stock options as explained below. They do not, however, receive shares as part of their compensation packages.

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 business expenses, item by item. Private expenses are not reimbursed. In the case of mixed business/ 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 schemes applicable to senior executives in their base countries.

The pensions and death in service coverage of Messrs. Clamadieu and Auffret reflect the conditions they had at Rhodia. In the case of Mr Clamadieu these take the form of a formal undertaking by Solvay SA.

#### 6.6. "Stock options".

(see table below)

In December 2011, the Board of Directors allotted, on the proposal of the Compensation Committee,

stock options to around 200 senior Group managers. The exercise price amounts to EUR 65.71 per option, with a three-year vesting period. Executive Committee members together were granted 109 000 options in 2011, compared with 106 000 in 2010.

The stock option plans, which are not currently considered as part of variable compensation, will be included in the compensation policy review to be held in 2012.

#### 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 directorships are compensated, they are included in the amounts given above, regardless

#### Stock options allotted in 2011 to Executive Committee members

Country	Name	Function	Number of options
Belgium	Jourquin Christian	Chairman of the Executive Committee	25 000
Belgium	de Laguiche Bernard	Member of the Executive Committee	20 000
Belgium	van Rijckevorsel Jacques	Member of the Executive Committee	18 000
Belgium	De Cuyper Vincent	Member of the Executive Committee	17 000
Belgium	Mesland Jean-Michel	Member of the Executive Committee	14 000
Thailand	Kearns Roger	Member of the Executive Committee	15 000
<b>TOTAL</b>			<b>109 000</b>

#### Stock options held in 2011 by Executive Committee members

Country	Name	Options held at 31/12/10	granted in 12/2011	exercised in 2011	expired in 2011	31/12/11		
						held	exercisable	non exercisable
Belgium	Jourquin Christian	155 000	25 000	0	0	180 000	105 000	75 000
Belgium	de Laguiche Bernard	108 000	20 000	0	0	128 000	70 000	58 000
Belgium	van Rijckevorsel Jacques	105 000	18 000	8 000	0	115 000	61 000	54 000
Belgium	De Cuyper Vincent	77 000	17 000	3 000	0	91 000	44 000	47 000
Belgium	Mesland Jean-Michel	58 000	14 000	3 000	0	69 000	28 000	41 000
Thailand	Kearns Roger	54 400	15 000	2 600	0	66 800	24 800	42 000
<b>TOTAL</b>		<b>557 400</b>	<b>109 000</b>	<b>16 600</b>	<b>0</b>	<b>649 800</b>	<b>332 800</b>	<b>317 000</b>

of whether the position is deemed to be salaried or undertaken on a self-employed basis under local legislation.

No Executive Committee member, including the Chairman, will benefit from any departure indemnity linked to the exercise of their office. If their service ends early, only the legal system applies.

Mr. Jean-Pierre Clamadieu's contract includes a 24 month non-competition clause, but with no more than 12 months' pay.

Executive Committee members' contracts do not contain a clause providing a right of claw-back of variable compensation in case of erroneous financial information.

## 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, through constructive dialogue and frequent exchanges, 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 Board calls on the people necessary to him in the exercise of his functions, making

sure to inform the Chairman of the Executive Committee and the members of the Board of Directors of the same;

- the Chairman of the Executive Committee (along with the Finance 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. Main characteristics of risk management and internal control systems

The Solvay group has set up an internal control system designed to provide a reasonable assurance that (i) current laws and regulations are complied with, (ii) policies and objectives set by the company are implemented and (iii) financial and non-financial information is reliable. This system has five components: the control environment, the risk management process, the management controls, the internal control supervision, and the disclosure of financial information.

### 1. The control environment

Our control environment is made up of various elements such as a Code of Conduct which is a reference framework for the Group, a management philosophy expressed in Values, a clear organizational and hierarchical structure supported by job descriptions linked, where appropriate, to delegations of power and management bodies (Board of Directors and Committees, Executive Committee, etc.), the workings of which are described in the Corporate Governance Statement. More detailed information on this point is available in the 2011 Annual Report.

### 2. The risk management process

Taking calculated risks in compliance with laws and regulations and the Code of Conduct is inherent in the development of the business of the Solvay group. In order to identify, assess and manage opportunities successfully and at the same time limit risks which are potentially significant for the activities of the Group, the Company has set up risk management systems.

Risk management is integrated in the strategic and operational decision-making process and is seen as an essential management tool and an aid for making the decisions to achieve the company's short, medium and long term aims.

The Group Service "Risk Management and Insurance" (RMI), headed by the Group Risk Manager, is in charge of setting up global, systematic, coherent management of risks across the Group.

Solvay has adopted the FERMA reference framework for risk management. This framework structures the process of risk management in following phases, taking into account the organization's strategic objectives:

- Risk analysis (identification, quantification and evaluation),
- Decision on how to manage the material risks,
- Implementation of risk management actions,
- Monitoring.

The Group Service RMI assists entities in the process of managing their risks, in particular by providing them with methods and tools and via training sessions.

More information on this topic can be found in the "Risk Management" section of the 2011 Annual Report, in particular with regard to risk management actions recently carried

out within the Group, the Group's main risks and the actions taken to prevent or reduce them.

This approach to risk management enables a consistent implementation throughout the organization. It is applied in the decisions and actions of Group staff. It makes it possible to move forward in a clearly defined framework, and thus with confidence.

### 3. The management control activities (1<sup>st</sup> level control)

The management is responsible for internal control in operations.

The Solvay group has set up reporting systems to gather and circulate the information of relevance to the various levels of the company. Such systems are in place in, for example, the financial, operational (production process), human resources, HSE (in particular with regard to safety at work and the environment), commercial, and legal (in particular compliance) areas.

In the financial area, the Solvay group has set up a reporting system based on IFRS standards, common to all its subsidiaries. The information provided every month mainly originates directly from the integrated IT systems (ERP). These ERPs are common to most parts of the Group.

We should also emphasize that the IT systems are managed centrally.

The financial data are consolidated monthly and analyzed at every level of responsibility of the company (such as for example the local finance manager, the controller and the management of the activity in question, Group Accounting and the Executive Committee) and in various ways such as, for example, variance analysis, plausibility and consistency checks, ratio analysis and comparison with forecasts. The results are also validated quarterly by the Audit Committee, taking into

account the work carried out by the external auditor.

The monitoring of financial data is supported by the use of common ERPs, by an organization based on major financial processes which are managed centrally and integrated, where appropriate, in the Shared Services Centers, and by application of uniform procedures.

### 4. The internal control supervision (2<sup>nd</sup> level control)

The Audit Committee is in charge of monitoring the effectiveness of internal control systems. It supervises the work of the Group Service "Internal Audit" with regard to financial, operational, and compliance monitoring. In particular, it verifies the scope, programs and results of the internal audit work and ensures that its recommendations are properly implemented. The Mission Statement of the Audit Committee is given in Appendix 1 to this Corporate Governance Statement.

The Group Service "Internal Audit" assesses independently the effectiveness of the internal controls in the financial, IT, and HR areas. In particular, it ensures that:

- Risks, including fraud, are identified and managed;
- Operational, management and financial (material) information is reliable;
- The actions of the employees are in line with the Group's policies, standards and procedures, as well as with the decisions of the management;
- The resources are obtained economically, used efficiently, and protected properly.

The internal audit assignments are planned and defined in terms of content on the basis of a risk analysis; the controls focus on the areas perceived as having the highest risks.

All the entities within the Group are visited by Internal Audit at least every three years.

The recommendations of the Group Service "Internal Audit" are implemented by management.

Other entities carry out activities of the same type in very specific areas. For example:

- The Group Service "Health Safety & Environment" carries out health, safety, and environmental audits;
- The Group Service "Organization, Design & Performance" carries out management systems audits (e.g. Quality Management);
- The Group Functions "Legal and Compliance" support the various audit activities of the Group to ensure that prevailing legislation is respected and applied correctly. In particular, the Group Service "Ethics and Compliance" controls the implementation and enforcement of the Group's Values and Code of Conduct, intervening in case of potential infringement. An Ethics Helpline, managed by a third party, is progressively being made available to employees to enable them to report potential violations in a confidential manner.

### 5. Disclosure of financial information

The Solvay group publishes quarterly results. Publication of these results is subject to various checks and validations carried out in advance.

- Publication is carried out under the supervision and control of the Executive Committee;
- The Audit Committee validates it, in particular ensuring that the IFRS accounting principles are complied with and that it gives a fair and relevant picture of the business of the Group;
- The Finance Committee finalizes its preparation;
- The Board of Directors approves it.

## 9. External Audit

The audit of the company's financial situation, its financial statements and the conformance of the same with respect to the Companies' Code and the by-laws, and of the entries 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 set 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 Ordinary Shareholders' Meeting of May 2010 proceeded to appoint the international audit company Deloitte, represented by Mr. Eric Nys, as Effective Auditor and to appoint the international audit company Deloitte, represented by Mr. Franck Verhaegen as Alternate Auditor. These two mandates expire at the end of the 2013 Ordinary Shareholders' Meeting.

The same Shareholders' Meeting also set the yearly emoluments for the Effective Auditor, covering the statutory audits, the consolidated accounts and IFRS reporting, at EUR 354 818 for 2010, EUR 351 270 for 2011 and EUR 351 270 for 2012. As from fiscal year 2011 these amounts will be inflation adjusted (consumer price index from December to December).

Deloitte received EUR 2 888 000 in supplementary fees in 2011. Over 70% of this amount was linked to the acquisition of Rhodia.

For the entire consolidated Group, the fees received by Deloitte break down as follows:

- fees for auditing the financial statements: EUR 3 795 000
- other audit and miscellaneous services: EUR 1 740 000
- special mission and tax advice: EUR 1 148 000.

## 10. Code of Conduct

The Solvay Code of Conduct sets out how Solvay wishes to carry out its business and how it wishes to interact with all its stakeholders in an ethical and compliant manner.

The Solvay Code of Conduct is based on its Values that serve as a reference framework for the Group's decisions and actions:

- Ethical behavior;
- Respect for people;
- Customer care;
- Empowerment;
- Teamwork.

These Values need to be respected and applied constantly and consistently.

The Code of Conduct is part of the Group's constant effort 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.

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.

The Group Functions "Legal and Compliance" contribute to or enhance the compliance culture. They are under the authority of the Group General Counsel. The Group Service "Ethics and Compliance" has the more specific objective of strengthening a culture based on ethics and on compliance with the Solvay Values and Code of Conduct. It consists of "Compliance Officers" who are present in the four regions. These are assisted by a network of experienced employees tasked, in addition to their other responsibilities, with supporting activities in this area.

The Group encourages its employees to take up any difficulty or question relating to the application of the Code of Conduct with its hierarchy or other identified interlocutors (Compliance Officers, legal staff, human resources). It is also progressively introducing the possibility, in every region, of turning to an Ethics Helpline in the form of an external service to voice any difficulties or pose questions in complete confidence. The Ethics Helpline is managed in accordance with applicable legislation and in particular the laws governing data protection.

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.

## 11. Preventing insider trading

The Group has established a policy for preventing insider trading, and a manual containing strict rules of confidentiality and non-use of "inside information" for both regular and occasional insiders. This policy and manual have been widely circulated within the Group.

The interpretation and oversight of compliance with these rules are entrusted to a Transparency Committee composed of the Group Corporate Secretary (chairman), who is also head of Corporate Communications, the Chief Financial Officer, the Group General Counsel and the Group General Manager Human Resources. In particular, this Committee advises the Board of Directors, the Executive Committee and any employee confronted with a difficult situation.

This policy is applied equally by the Executive Committee and the Board of Directors.

Moreover, in conformity with the law of August 2, 2002, 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 Group General Manager Human Resources and
  - the Group General Counsel
- have been informed of their obligation to declare to the Financial Services and Markets Authority every transaction involving Solvay shares.

## 12. Internal organization of the Solvay group

The internal organization of the Solvay group is described in the businesses section of this Annual Report.

## 13. Relations with shareholders and investors

### 13.1. Performance of the Solvay share

The Solvay share is listed on

NYSE Euronext Brussels. It was also admitted to trading on NYSE Euronext Paris on January 23, 2012. On December 31, 2011, its price was EUR 63.7, as against EUR 79.8 at the end of 2010. During 2011, the average price was EUR 84.5 and the highest price was EUR 111.6 (July 7, 2011).

Average daily trading volume as reported by Euronext was 247 000 shares in 2011, compared with 182 000 shares in 2010.

The evolution of the Solvay share in 2011 compared with market indexes is shown opposite.

### 13.2. 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 to them short- and long-term developments at the Group, 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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Investor Relations  
Rue de Ransbeek, 310  
B-1120 Brussels (Belgium)  
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Internet: [www.solvay.com](http://www.solvay.com)

### 13.3. 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 2011, the Solvay group actively continued its meetings with individual investors.

By way of example:

- In March 2011, Mr. Christian Jourquin's Meeting with readers of the Belgian magazine CASH was attended by nearly 200 persons, including members of investment clubs such as Investa and VFB (Flemish Association of Investors and Investors' Clubs).
- In April 2011, Solvay took part in the "Investors' Event", which is organized by the VFB, and attended every year by more than 1 000 participants.
- In May 2011, Solvay's participation in the 'Action Day' organized by the Belgian magazine CASH offered a further opportunity to meet individual shareholders.

### 13.4. Roadshows and meetings for professionals

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

In 2011, over 500 contacts were established at meetings and events organized in Europe (Brussels, London, Paris, Frankfurt, Geneva, Zurich, Milan, etc.), the United States and Canada.

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

### 13.5. A specific internet site

A dedicated internet site, [www.solvay.com/investors](http://www.solvay.com/investors), provides shareholders and investors with the latest published financial and strategic information from the Group. The site informs investors and shareholders

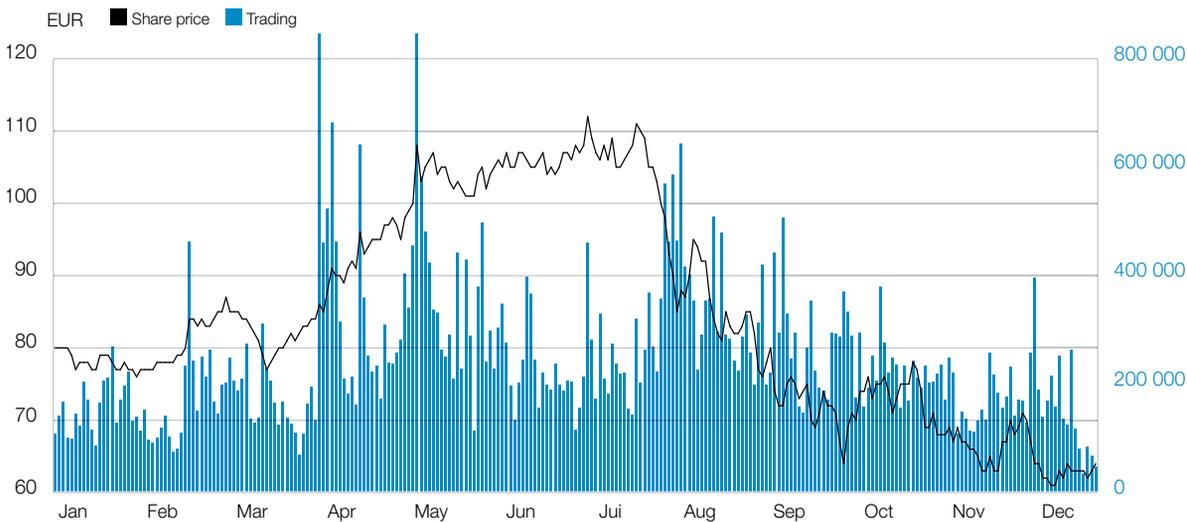
of many valuable services. It also provides useful contacts with specialist analysts who closely track the Group.

The internet site also offers a way to 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.

The site was fully updated in early 2011, out of a concern to offer even easier and more user friendly access to the wealth of information contained on it.

## Solvay share prices and trading volumes: 01/01/2011 to 31/12/2011



## The Solvay share compared with the indexes (2011)



### 13.6. 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 other members, all three of whom are non executive directors and at least two of whom are independent directors. The Members of this Audit Committee are competent in this area through training and experience acquired in their previous positions.

### 2. Guests

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

- a) the Chief Financial Officer;
- b) the Head of the Group Service 'Internal Audit';
- 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, semiannual 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 verifies and monitors the independence of the external auditor, in particular concerning supplementary services requested from the auditor outside its legal mission. In this respect, it is the Audit Committee that proposes the external auditor to the Board of Directors, which will transmit the candidacy for approval and appointment (including

remuneration) by the Ordinary Shareholders' Meeting. Additionally, in consultation with the Chief Financial Officer, the Audit Committee participates in the choice of head of the Group Service Internal Audit.

- 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 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, including the CEO and the members of the Executive Committee. General Managers' compensation is set by the Board of Directors based on the recommendations of the Compensation Committee.

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

- to ensure overall competitive compensation opportunities that will enable Solvay to attract, retain, motivate and reward executives of the highest caliber essential to the successful leadership and effective management of a global chemicals 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 fulfillment 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 that are deemed relevant, such as fairness and balance within the company, are also taken into consideration.

To assess relevant competitive practice, Solvay takes as its frame of reference a selection of European Chemical and industrial manufacturing companies with international operations and annual sales revenues and headcount reasonably close to its own. 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 chemicals sectors) constitutes the reference.

For data relating to the international market, the services of internationally recognized compensation consultants are retained.

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

#### Elements of compensation

The compensation of the General Managers comprises base salary, annual incentives (i.e. performance bonuses) and long-term 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.

Target 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 position.

These percentages have been determined taking into consideration median target bonus levels observed in the chosen reference market and Solvay's policy regarding the target compensation mix and competitive positioning.

Generally speaking, Solvay aims to offer, 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 performance up to 150% of the amount corresponding to normal performance in case of outstanding achievement.

The overall business performance is measured in terms of ROE (return on equity of the past year); 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 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 General Managers. 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 option 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 chosen reference market is, as a rule, a blend of some 20 leading Belgian companies and Belgian subsidiaries of foreign-owned organizations 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.

## Annual and long-term incentive levels

Chairman of the Executive Committee	Members of the Executive Committee	Other General Managers
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ROE	Actual performance	ROE levels	AS % OF FIX	as % of FIX	as % of FIX
	Below threshold	< 4%	0%	0%	0%
	At threshold	4% to < 8%	15%	9%	8%
		8% to < 10%	30%	18%	15%
	Intermediate (low)	10% to < 12%	40%	24%	20%
	<b>On target</b>	<b>12% to &lt; 14%</b>	<b>50%</b>	<b>30%</b>	<b>25%</b>
	Intermediate (high)	14% to < 16%	60%	36%	30%
	Outstanding	16% to < 18%	70%	42%	35%
	Exceptional	>= 18%	At Board discretion	At Board discretion	At Board discretion

INDIVIDUAL BONUS	Bonus level	as % of FIX	as % of FIX	as % of FIX
	Below	0%	0%	0%
	<b>Target</b>	<b>50%</b>	<b>30%</b>	<b>25%</b>
	Outstanding	75%	45%	37,5%
		At Board discretion	At Board discretion	At Board discretion

INDIVIDUAL BONUS + ROE	At target, ROE and individual bonus represent 50/50.	as % of FIX	as % of FIX	as % of FIX
		0%	0%	0%
		<b>100%</b>	<b>60%</b>	<b>50%</b>
		145%	87%	72,5%

STOCK OPTIONS	If a stock option plan is agreed by the Board of Directors	Stock options	Stock options	Stock options	
		-20%	32 000	12 000	4 000
		<b>Target</b>	<b>40 000</b>	<b>15 000</b>	<b>5 000</b>
		+20%	48 000	18 000	6 000