

# CORPORATE GOVERNANCE

THIS CHAPTER IS AN ANNEX TO THE MANAGEMENT REPORT

## Table of contents

Reference code and introduction	142
1. Legal and shareholding structure of Solvay SA	142
2. Capital and dividend policy	143
3. Shareholders' Meetings	144
4. Board of Directors	147
5. Executive Committee	153
6. Compensation report	155
7. Chairmen's roles in achieving harmony between the Board of Directors and the Executive Committee	159
8. Main characteristics of risk management and internal control systems	159
9. External Audit	160
10. Code of Conduct	161
11. Preventing insider trading	161
12. Internal organization of the Solvay group	161
13. Relations with shareholders and investors	162
Annexes:	
1. Audit Committee Mission Statement	164
2. Compensation policy for General Managers	165

## Reference code and introduction

The Solvay group has adopted the 2009 Belgian Corporate Governance Code as its reference code in governance matters. This report presents the application of the recommendations of that 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))<sup>1</sup>.

The governance of the Solvay group applies to all its activities, including those of Rhodia acquired on Sept 16, 2011. In some areas, the integration of the Rhodia Sector in the Solvay group 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 account 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 in dematerialized securities accounts or converted into registered shares by July 1, 2011, have been converted automatically into dematerialized shares.

At December 31, 2012, 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.

<sup>1</sup> For reason of readability, the present document also contains the information requested by the 2009 Belgian Corporate Governance Code for the Corporate Governance Charter.

The stock is listed on the NYSE Euronext Brussels. It is also admitted to trading on NYSE Euronext Paris since 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 48<sup>th</sup> place (0.6% of the index) at December 31, 2012;
- > The BEL 20 index, based on the 20 most significant shares listed on NYSE Euronext Brussels. At December 31, 2012, Solvay represented around 10.4% of the value of this index (2<sup>nd</sup> place in this index). Solvay shares are included in the 'Chemicals – Specialties' category of the NYSE Euronext Brussels sector index;
- > The CAC 40 index, based on the 40 most significant shares listed on NYSE Euronext Paris where Solvay ranked in 31<sup>st</sup> place (0.9% of the index) at December 31, 2012;
- > The DJ Stoxx, DJ Euro Stoxx, FTSE 300, 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 NYSE Euronext Brussels. This appointment remained in place in 2012.

**1.3.** Solvay SA's main shareholder is Solvac SA, which at December 31, 2012 held a little over 30% of the 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 takeover 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 founding families.

JPMorgan Asset Management Holdings Inc. notified Solvay that on November 21, 2012 the total participation of its various affiliates reached 3.03% or 2 562 505 shares.

In addition, at December 31, 2012, Solvay Stock Option Management SPRL held 2.05% of the shares issued by Solvay SA (1 735 010 shares), in particular to cover the Solvay stock options program (see under 2.1. 'Capital').

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 NYSE Euronext of 304 000 shares in 2012 and 247 000 shares in 2011).

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 2011 and May 2012 Shareholders' Meetings, shares were deposited and votes cast in respect of an average 51.8% of Solvay SA's capital.

**1.5.** At December 31, 2012, 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, only a portion 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. No use was made of this facility in 2012.

**2.1.3.** In December 1999, the company introduced a new annual stock option program for Group executives worldwide. These programs are covered in part or totally 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 five-year period by the Extraordinary Shareholders' Meeting of May 12, 2009.

The most recent annual program of stock options (exercisable from January 1, 2016 to March 15, 2020) was offered in March 2012 to around 430 Group executives, at an exercise price of EUR 88.71 per share. This price represents the average closing price of the Solvay share on NYSE Euronext during the 30 days preceding the offering of options. 97.2% of these stock options were accepted by these executives.

At December 31, 2012, Solvay Stock Option Management SPRL's holdings of Solvay SA shares represented 2.05% (1 735 010 shares) of the company capital.

In 2012, stock options representing a total of 684 773 shares were exercised (it should be noted that options are in principle exercisable over a period of five years<sup>2</sup> after being frozen for three years).

The stock options exercised break down as follows:

- > 2001 stock option plan: 16 800 shares;
- > 2002 stock option plan: 13 000 shares;
- > 2004 stock option plan: 245 623 shares;
- > 2005 stock option plan: 82 600 shares;
- > 2007 stock option plan: 32 500 shares;
- > 2008 stock option plan: 294 250 shares.

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

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

2. 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.

### Stock options plans

Issue date	Exercise price (in EUR)	Exercise date	Acceptance rate
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%
2012	88.71	01/2016-03/2020	97.2%

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. The free shares exposure is fully covered.

**2.1.4.** At its March 16, 2012 meeting, the Board of Directors implemented its annual stock option plan in favor of around 430 Group executives, including the Members of the Executive Committee. These include Mr. Christian Jourquin and Mr. Bernard de Laguiche (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. At this request, the number of options granted in 2012 to the Chairman of the Executive Committee until May 10, 2012, Mr. Jourquin, was decreased to 0. Mr. de Laguiche accepted 20 000 options.

**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 Extraordinary Shareholders' Meeting of the company.

**2.1.6.** At its December 12, 2012 meeting, the Board of Directors approved a new compensation policy – further set out in

Annex 2. This policy includes the design of a new Long Term Incentive (LTI) program for its Group executives. This new LTI program is centered around (i) the launch of a Performance Share Unit plan (PSU), associated with multi-year performance criteria and settled in cash and (ii) the continuation of a Stock Option plan (SOP).

## 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 many years. The graph below illustrates the application of this policy over the past 20 years.

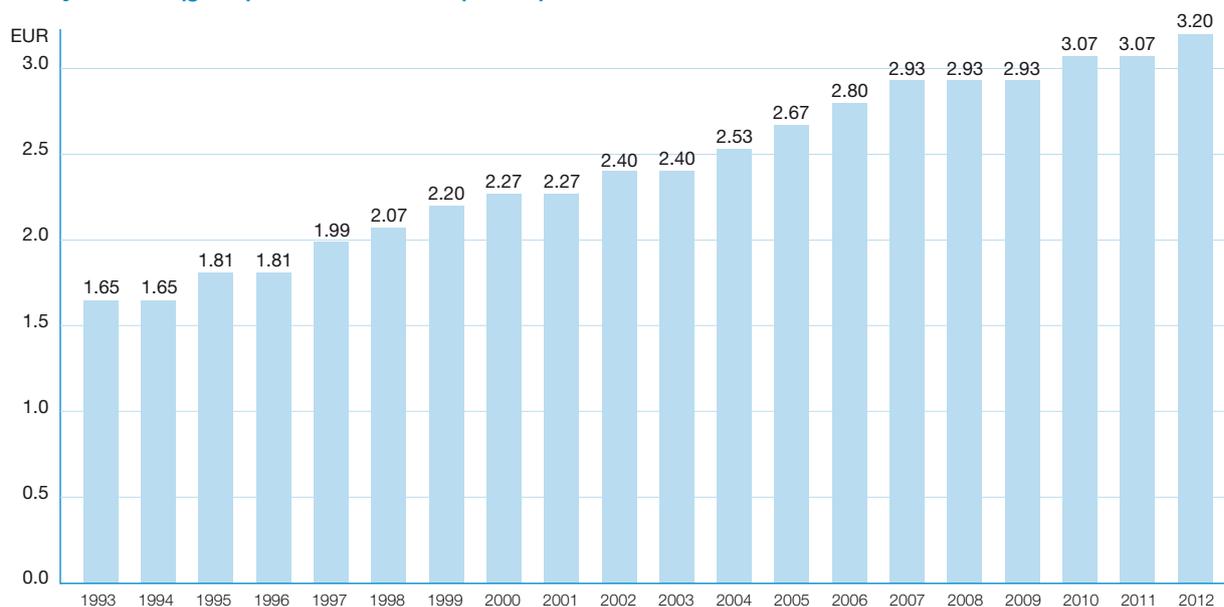
**2.2.2.** The annual dividend is paid in two installments, in the form of an advance payment (interim dividend) and a payment of the balance. The method to set the advance payment includes a guidance of 40% (rounded) of the total previous year's dividend, and takes into account the results for the first nine months of the current year.

In this way, for 2012, an interim dividend of EUR 1.20 gross per share (EUR 0.90 net after Belgian withholding tax of 25%) was approved by the Board of Directors on October 24, 2012. This interim dividend, which was paid on January 17, 2013, is to be offset against the total dividend for 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.

### Solvay dividend (gross) from 1993 to 2012 (in EUR)



The dividend for 2012, proposed to the General Shareholders' Meeting of May 14, 2013, is EUR 3.20 gross per share (EUR 2.4 net per share), up 4.3% compared with the dividend for 2011. Given the interim dividend payment made on January 17, 2013, the balance of EUR 2.00 gross per share (EUR 1.50 net per share) will be payable from May 21<sup>st</sup>, 2013.

**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 has not, up to this point, proposed optional dividends to its shareholders, i.e. stock instead of cash dividends. This option does not offer any tax or financial benefit in Belgium 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.

### 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 is 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 and attached documents 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 has been obligatory for participating in and voting at the Shareholders' Meeting.

Shareholders must complete the registration of their securities by 24.00 hours (Belgian time) on the 14<sup>th</sup> calendar day prior to the relevant Shareholders' Meeting.

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

Dematerialized shares are registered by virtue 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 that are registered in their name in their accounts at the registration date and for which they wish 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 sixth calendar day preceding the date of the Shareholders' Meeting.

The appointed agent does not have to be 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 appointed 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 sixth 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 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, annual report, special report of the Board of Directors if any, etc.) is available every year on the Internet site [www.solvay.com](http://www.solvay.com) from the time of giving notice 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 that 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 periodic 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 general strategies and general policies of the Group.
3. Approving the reference frameworks for internal control and for risk management.
4. Adopting the budget and long-term plan, including invest-

ments, 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 as the case may be, 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 and of Executive Committee Members.

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 member of the Executive Committee is sufficient. Powers may also be delegated on a case-by-case basis as needs arise.

**4.2.3.** Subject to in the provisions of 2.1.4. (Article 523 of the Companies Code), the Directors of the company were not confronted in 2012 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.

### 4.3. Composition

#### 4.3.1. Size & Composition

At December 31, 2012, the Board of Directors consisted of 15 members, as listed on page 149.

**4.3.2.** During 2012, until the Ordinary Shareholders' Meeting on May 8, 2012, the Board of Directors was chaired by Mr. Aloïs Michielsen, with Mr. Denis Solvay as Vice-Chairman, As announced, Mr. Aloïs Michielsen who reached the age limit of 70 years left the Board of Directors of Solvay and his chairmanship after the Ordinary Shareholder's Meeting on May 8, 2012.

Mr. Nicolas Boël following an unanimous decision of the Board, succeeded Mr. Aloïs Michielsen as Chairman of the Board with effect from May 9, 2012.

At the Ordinary Shareholders' Meeting of May 8, 2012:

- > the directorship of Mr. Jean-Marie Solvay was renewed for a four-year term;
- > Mr. Jean-Pierre Clamadiou was appointed as Director to replace Mr. Aloïs Michielsen, whose term he will complete;
- > Mr. Jourquin resigned as a member of the Board; and
- > the Board Members was reduced from sixteen to fifteen, taking effect on May 10, 2012 since Mr Christian Jourquin did not wish to complete his term as a Board Member. No replacement has been designated.

At the Ordinary Shareholders' Meeting on May 14, 2013, the Board of Directors will propose:

- > to renew for a four-year term the directorship of Chevalier Guy de Selliers de Moranville, Mr. Nicolas Boël, Mr. Bernard de Laguiche, Baron Hervé Coppens d'Eeckenbrugge, Mrs. Evelyn du Monceau and Mr. Jean-Pierre Clamadiou;
- > not to reassign the directorship of Mr. Jean van Zeebroeck who reached the age limit for Directors of 70 years;
- > to appoint Mrs. Françoise de Viron as a new independent Director for a four-year term;
- > to appoint Mrs. Amparo Moraleda Martinez as an independent Director to replace Mrs. Petra Mateos who has not requested renewal of her term of office.

#### 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.

#### 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, 2012, 13 out of 15 directors were non-executive, and two belonged to the Executive Committee (Mr. Jean-Pierre Clamadiou 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, 2012, the independent status of 9 out of 13 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, 2012, 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 2012 (95.4%);
- > 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 13 men and 2 women at December 31, 2012, will take care, when mandates are next renewed, to comply, within the relevant deadlines, with the requirement that at least one-third of the Board be women.

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 526<sup>ter</sup> 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 acted as an executive member of the management body or a member of the executive committee or managing director in the company or in a company or person affiliated with

	Year of birth	Year of first appointment	Solvay SA mandates, and expiry date of directorship	Diplomas and activities outside Solvay	Presence at meetings in 2012 as a function of date of appointment
Mr. Nicolas Boël (B)	1962	1998	2013 From May 9, 2012: Chairman of the Board of Directors, Chairman of the Finance Committee and Chairman of the Compensation Committee Member of the Nomination Committee	MA in Economics (Catholic University of Louvain), Master of Business Administration (College of William and Mary – USA). Director of Sofina.	7/7
Mr. Jean-Pierre Clamadieu (F)*	1958	2012	2013 Chairman of the Executive Committee, Director and Member of the Finance Committee and invited to the Compensation and Nomination Committees	Engineering degree from the Ecole des Mines (Paris). Director of Axa, Faurecia.	3/3
Mr. Bernard de Laguiche (F/BR)*	1959	2006	2013 Member of the Executive Committee, Director and Member of the Finance Committee	MA in Economics and Business Administration HSG (University of St. Gallen, Switzerland).	7/7
Mr. Jean-Marie Solvay (B)	1956	1991	2016 Director and Member of the Innovation Board	Advanced Management Programme – Insead. CEO of Albrecht RE Immobilien GmbH & Co. KG., Berlin (Germany), Director of Heliocentris GmbH & Co. KG., Berlin (Germany), Chairman of the Board of the International Solvay Institutes.	7/7
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). President and Co-Founder of HCF International Advisers, Member of the Supervisory Board and Chairman of the Audit Committee of Advanced Metallurgical Group (Netherlands), Vice-Chairman of the Board of Ageas SA, Chairman of the Board of Ageas UK, member of the Board of Ivanplats Ltd. and various other mandates in unlisted companies.	6/7
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.	7/7
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.	7/7
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 the managing board of PSA Peugeot-Citroën, Chairman of Eutelsat, Director of Saint-Gobain, of Société Générale, of Alstom and of Axa.	6/7
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.	7/7
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).	5/7
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.	7/7
Mrs. 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). Former Executive Chairwoman of Hispasat (Spain and International), Former President of Hisdesat; Tenured Professor of Finance at the University of Business Administration, UNED Madrid, Board of Trustees ANECA, Member of the International Consultative Board of Science, University and Society of CRUE, Vice President of Spain US Chamber of Commerce.	7/7
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). Group Director Petercam SA, Director of Vital Renewable Energy Company LLC (Delaware).	7/7
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-Chairman 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), Chairman of YTSuropaconsultants.	6/7
Mrs. 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. Vice Chairwoman of the Board and Chairwoman of the Remuneration and Nomination Committee of UCB SA, Member of the Board of Directors of La Financière de Tubize SA, Director of FBNet Belgium, Member of the Foundation Commission Corporate Governance. Member of the Orientation Council of NYSE Euronext Brussels.	7/7

\* Full-time activity in the Solvay group.

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 non-executive 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 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 holding 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, 2012, 9 out of 15 directors fulfilled the criteria of independence, as confirmed by a vote of the Ordinary Shareholders' Meeting of May 10, 2011:

> Mr. Jean-Pierre Clamadieu, Chairman of the Executive Committee and CEO, was not recognized as independent at the time of his appointment as Director in 2012 (criterion no.1);

> Mr. Bernard de Laguiche, Member of the Executive Committee, was not recognized as independent at the time of the renewal of his directorship in 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 first seeks 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 it sets.

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 seven times in 2012. Five ordinary meetings are planned in 2013.

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 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 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 upon by the Board at the end of this evaluation process were: increasing the time allotted to questions and answers during executive management's presentation of quarterly results, and also the addition of Human Resources to the list of regular executive management presentations to the Board.

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 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 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 matured on May 1, 2012. The Board of Directors 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. Aloï's Michielsens's departure on that date.

The Board further decided to have the renewal dates of the Committees coincide with the dates of Ordinary Shareholders' Meetings in the future. The new composition of Committees therefore took 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 2012, 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 five times in 2012, including four times before the Board meeting scheduled to consider the publication of periodic results (quarterly, semiannual and annual). Participation in Audit Committee meetings was very high, (100%).

The mission of the Audit Committee is set out in a "Terms of Reference" document (see Annex 1). It integrates the requirements of article 526 bis of the Corporate Law.

The main tasks of the Audit Committee include:

- > ensuring the conformity of financial statements and communications of the Company and the Group to generally accepted accounting principles (IFRS for the Group, Belgian accounting law for the parent company);
- > monitoring the effectiveness of the Group's internal control systems and risk management;
- > examining the areas of risk that can potentially have a material effect on the Group's financial situation;
- > verifying the scope/programs and results of internal audit;
- > making a proposal to the Board of Directors on the appointment of the external auditor;
- > examining the scope of the external audit and the way it is implemented;
- > monitoring the scope and the nature of the additional services provided by the external auditor.

At each meeting, the Audit Committee hears reports from the Chief Financial Officer, the head of the Group Service Internal Audit and 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 and CEO (Mr. Jean-Pierre Clamadieu) 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 2012, until the Ordinary Shareholders' Meeting on May 8, 2012, the Finance Committee consisted of Mr. Aloïs Michielsens (Chairman), Mr. Christian Jourquin (Chairman of the Executive Committee) and Mr. Bernard de Laguiche (Member of the Executive Committee and Chief Financial Officer) and three Directors, Mrs. Petra Mateos-Aparicio Morales, Chevalier Guy de Selliers de Moranville and Baron Hervé Coppens d'Eeckenbrugge. Effective May 9, 2012, Mr. Nicolas Boël became a Member and Chairman, replacing Mr. Michielsens; and effective May 11, 2012, Mr. Jean-Pierre Clamadieu succeeded Mr. Christian Jourquin as a Member of the Finance Committee.

The secretary of this Committee is Mr. Michel Defourny.

This Committee met four times in 2012. 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.

#### 4.5.4. The Compensation Committee

In 2012, until the Ordinary Shareholders' Meeting on May 8, 2012, the Compensation Committee consisted of Mr. Aloïs Michielsens (Chairman), Messrs. Denis Solvay, Jean van Zeebroeck, Jean-Martin Folz, Yves-Thibault de Silguy and Mrs. Evelyn du Monceau. A majority of the members of this Committee have independent Director status within the meaning of the law. Effective May 9, 2012, Mr. Nicolas Boël succeeded Mr. Aloïs Michielsens as Member and Chairman.

The Chairman of the Executive Committee is invited to meetings, except for matters that concern him personally.

Mr. Jean-Pierre Clamadieu succeeded Mr. Christian Jourquin as an invited guest of the Compensation Committee from May 11, 2012.

The secretary of this Committee was Mr. Daan Broens until September 30, 2012 and has been Mr. Michel Defourny since then. The meetings are prepared by the Group General Manager Human Resources, who attends the meetings.

This Committee met four times in 2012. Participation of the members of the Compensation Committee was very high (100%).

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 and the Executive Committee, and is yearly informed about the compensation of General Management. It also gives its opinion to the Board of Directors and/or Executive Committee on the Group's principal compensation policies (including long term incentive plans). It also prepares the report on compensation.

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

#### 4.5.5. The Nomination Committee

In 2012, until the Ordinary Shareholders' Meeting on May 8, 2012, the Nomination Committee consisted of Mr. Aloïs Michielsens (Chairman), Messrs. Denis Solvay, Nicolas Boël, Jean van Zeebroeck, Jean-Martin Folz, Yves-Thibault de Silguy and Mrs. Evelyn du Monceau. A majority of the members of the Nomination Committee are independent non-executive Directors.

Since May 9<sup>th</sup>, 2012, Mr. Jean-Martin Folz has chaired this Committee.

The Chairman of the Executive Committee is invited to meetings, except for matters that concern him personally.

Mr. Jean-Pierre Clamadieu succeeded Mr. Christian Jourquin as an invited guest of the Nomination Committee effective May 11, 2012.

The secretary of this Committee is Mr. Michel Defourny.

The Committee met four times in 2012. The participation of members of the Nomination Committee was very high (100%).

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.

## 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 decision on delegation of powers dated back to December 14, 1998 and was replaced by a decision of the Board of Directors dated October 24, 2012. This decision took effect on January 1<sup>st</sup>, 2013.

The Board of Directors on the same time, approved the internal rules of the Executive Committee.

**5.1.2.** The Executive Committee, acting collectively, has been assigned the following main tasks by the Board of Directors:

- > The day-to-day management of the company;
- > Oversees the proper organization and functioning of the Company, its subsidiaries and affiliates, ensures oversight of their activities, including the introduction of processes for the identification, management and monitoring of the principal risks;
- > Introduces a process of talent management and appoints senior executives of the Group (with the exception of its own members, the General Managers and the Corporate Secretary, for which the Board expressly reserves an exclusive power of appointment);
- > Sets senior executive compensation (other than the compensation of its own members);
- > Decides on acquisitions and divestitures (including intellectual property) up to a ceiling of EUR 50 million (including debts and other commitments). The Board is informed of decisions involving amounts over EUR 10 million;
- > Takes capital expenditure ("Capex") decisions up to a ceiling of EUR 50 million. The Board is informed of decisions involving amounts over EUR 10 million;
- > Takes decisions on substantive business operations and financial transactions not involving a change in the financial structure of the company and/or the Group;
- > Proposes to the Board of Directors, for its decision, the key Group policies, and sets the others;
- > The Executive Committee proposes to the Board of Directors for its decision:

- The general strategies (including the effect of these strategies on the budget, the five-year plan and resource allocation) and general policies of the Group, in particular as regards remuneration, the annual investment and research programs;
- Appointments to General Management functions and the position of Corporate Secretary;
- The general organization of the Company and/or the Group;
- Major financial transactions that modify the financial structure of the Company and/or the Group;
- The consolidated periodical accounts and those of Solvay SA (quarterly consolidated only, half-yearly and annual) and the related communication;
- > The Executive Committee executes the decisions of the Board or Directors;
- > The Executive Committee submits to the Board of Directors all questions lying within the latter's competence and reports to it regularly on the exercise of its mission.

### 5.2. Delegation of powers

The execution of Executive Committee decisions and the following up on 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.

The Board of Directors in its resolution dated October 24, 2012, expanded the right for the Executive Committee to delegate its powers, under its responsibility, and in compliance with procedures and authorization limits set by the Executive Committee, to one or more of its members, of the General Managers of the Group and/or heads of Global Business Units and Functions. In particular it has delegated the power to undertake binding M&A transactions including capital expenditures up to a ceiling of EUR 10 million.

### 5.3. Composition

#### 5.3.1. Size and composition

At December 31, 2012, the Executive Committee had seven members. Mr. Jourquin's term of office as Chairman of the Executive Committee ended on May 10, 2012. Mr. Clamadieu succeeded Mr. Jourquin effective May 11, 2012.

On January 1, 2013, the composition of the Executive Committee was reduced from seven to six members, as a result of Mr. Jean-Michel Mesland taking another appointment within the Group.

#### 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 granted by the Board of Directors on December 14, 2011 for of Mr. Gilles Auffret, whose mandate was renewed for a further two-year term. This exception was 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 executives, generally coming from the Group's senior management. Apart from the Chairman, its members at the end of 2012 were 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.

Effective January 1, 2013, the role of the members of the Executive Committee will change. Each will be in charge of the supervision of a number of Global Business Units/Functions; for the CEO and the CFO, this new role will be assumed in addition to their respective specific responsibilities.

All Executive Committee members have employment contracts with the Solvay group, except for MM. Christian Jourquin and Jean-Pierre Clamadieu, who have self-employed status (until May 10, 2012 for Mr. Jourquin).

### 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 2012. 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 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 Executive Committee members.

**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 and agendas.

Documents and information relating to the agenda items are made available to the members of the Executive Committee prior to the meetings.

The Corporate Secretary drafts minutes consisting on a list of decisions taken during the meeting. These are read and approved at the end of the meeting. They are immediately distributed.

They are not signed, but the Chairman of the Executive Committee and the Corporate Secretary may deliver certified conformed copies of extracts.

It should be noted that the Executive Committee organized certain meetings in tele- or video-conference format.

**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 2012.

	Year of birth	Year of first appointment	Term of office ends	Diplomas and main Solvay activities	Presence at meetings (as a function of date of appointment)
Mr. Jean-Pierre Clamadieu (F)	1958	2011	2013	Engineering degree from the Ecole des Mines (Paris). Deputy CEO until May 10, 2012 and CEO from May 11, 2012.	20/20
Mr. Bernard de Laguiche (F/BR)	1959	1998	2014	MA in Economics and Business Administration HSG (University of St. Gallen – Switzerland). Executive Committee Member in charge of Finance/Information Systems.	20/20
Mr. Jacques van Rijckevorsel (B)	1950	2000	2015	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 Leuven), 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.	20/20

The topics submitted to the Executive Committee are presented and discussed in the presence of the heads of the involved entities (GBUs, Functions). For important projects, it sets up ad hoc working teams, led mainly by Executive committee members chosen on the basis of the competences required.

## 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 sums 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 is set out in an annex 2 to this document.

In 2012, the Group reviewed its compensation policy to better align with market practices and reinforce the link between variable pay and business performance. The new compensation policy is further set out in annex 2. The policy introduces a new harmonized short term incentive plan and redesigns the long term incentive program, which will be partly linked to the achievement of pre-defined multi-year Group performance level. It becomes effective in 2013.

#### 6.1.2. Setting individual compensation:

##### a) for Directors:

- (i) The Ordinary Shareholders' Meetings of June 2005 and May 2012 (for Board attendance fee) decided to set Directors' pay, starting from the 2005 financial year, and to grant:
  - an annual gross fixed compensation of EUR 35 000 per Director and, on top of this, an individual attendance fee increased to EUR 4 000 gross per Board meeting attended instead of EUR 2 500;
  - EUR 4 000 gross for members of the Audit Committee and EUR 6 000 gross for its Chairman for each meeting of the Committee;
  - EUR 2 500 gross per member of the Compensation Committee, Nomination Committees and Financial Committee 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;
  - 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) For the Chairman of the Board of Directors until May 8, 2012, the Board of Directors made use of the authorization conferred on it by article 27 of the bylaws to grant an additional fixed compensation of EUR 86 026 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 161 344 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 role as Chairman of the Board. For the Chairman of the Board of Directors effective May 9, 2012, the Board of Directors has made use of the authorization conferred on it by article 27 of the bylaws to grant an additional yearly fixed compensation of EUR 250 000 gross in 2012 by reason of the work load and the responsibility attached to this task. In 2012, this translated into the payment of an amount of EUR 161 290 gross.

- (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 Commit-

tee is set as a global gross amount. This includes not only the gross compensation earned at Solvay SA, but also amounts received, 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, which remained in effect for the 2012 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.

The Group reviewed its policy in 2012. The new policy effective from 2013, is set out in Annex 2. It does not apply to Mr. Clamadieu, whose compensation package is governed by specific arrangements; the level and structure of the compensation package are aligned with market practices for a similar function in a comparable organization.

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

(see table below)

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

(see table 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

### GROSS COMPENSATION AND OTHER BENEFITS GRANTED TO DIRECTORS

Compensation (EUR)	2011		2012	
	Gross amount	Including Board of Directors and Committees attendance fees	Gross amount	Including Board of Directors and Committees attendance fees
A. Michielsen (until May 8, 2012)				
– Fixed emoluments + attendance fees	55 000.04	20 000.00	28 419.37	16 000.00
– “Article 27” supplement	238 201.07		86 025.54	
– Compensation for complementary pension rights	446 755.23		161 344.22	
N. Boël				
– Fixed emoluments + attendance fees	62 500.04	27 500.00	65 500.04	30 500.00
– “Article 27” supplement from May 9, 2012			161 290.30	
D. Solvay	65 000.04	30 000.00	73 000.04	38 000.00
C. Jourquin (until May 10, 2012)	55 000.04	20 000.00	28 607.54	16 000.00
JP. Clamadieu (effective May 11, 2012)			34 580.67	12 000.00
J-M. Solvay	55 000.04	20 000.00	63 000.04	28 000.00
G. de Selliers de Moranville	81 000.04	46 000.00	85 000.04	50 000.00
J. van Zeebroeck	65 000.04	30 000.00	73 000.04	38 000.00
J-M. Folz	62 500.04	27 500.00	69 000.04	34 000.00
B. de Laguiche	55 000.04	20 000.00	63 000.04	28 000.00
B. Scheuble	79 000.04	44 000.00	87 000.04	52 000.00
A. Van Rossum	66 000.04	31 000.00	71 000.04	36 000.00
C. Casimir-Lambert	71 000.04	36 000.00	79 000.04	44 000.00
H. Coppens d'Eeckenbrugge	65 000.04	30 000.00	73 000.04	38 000.00
Mrs. P. Mateos-Aparicio Morales	65 000.04	30 000.00	73 000.04	38 000.00
Mrs. E. du Monceau	65 000.04	30 000.00	73 000.04	38 000.00
Y-T. de Silguy	60 000.00	25 000.00	69 000.04	34 000.00
	<b>1 711 956.94</b>	<b>467 000.00</b>	<b>1 516 768.20</b>	<b>570 500.00</b>

<b>Compensation and other benefits granted to the Chairman of the Executive Committee until May 10, 2012 (EUR)</b>	<b>2011</b>	<b>2012</b>
Base compensation	776 804	279 817
Variable compensation	955 468	0
Pension and death-in-service and disability coverage (costs paid or provided for)	229 481	0
Other compensation components <sup>1</sup>	22 402	5 641

<b>Compensation and other benefits granted to the Chairman of the Executive Committee effective May 11, 2012 (EUR)</b>	<b>2011</b>	<b>2012</b>
Base compensation		640 000
Variable compensation		775 467
Pension and death-in-service and disability coverage (costs paid or provided for)		309 750
Other compensation components <sup>1</sup>		4 650

1. Company vehicles.

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.

Given that Mr Jourquin was aged over 60, the early departure of the Chairman of the Executive Committee was deemed retirement. This means that no severance indemnity was paid to him. The Chairman of the Executive Committee was 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 below)

Variable compensation consisted of an annual incentive based on the performance of the Solvay group (ROE) and on each Executive Committee member's performance against individual objectives. In 2011 (for ROE 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. In 2012 (for ROE 2011), the Board made use of its discretionary powers to increase the ROE share of variable remuneration to smooth the ROE fluctuations with previous year.

The variable compensation of Messrs. Clamadieu and Auffret for 2011 was set under the rules in force at Rhodia and as a

function of their objectives. For 2012, the variable compensation of Mr Clamadieu was set according to the agreement entered into with Solvay. The 2012 variable remuneration of Mr Auffret was still set under the rules in force at Rhodia.

The law (Art. 520 ter 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.

Given the significant changes under way in terms of organizational and business scope, the Board asked the Shareholders' Meeting and received its authorization to continue the current system for 2011 and 2012, given that the system was already based on predetermined and objectively measurable performance criteria.

As announced in the previous Corporate governance statement, the compensation policy was reviewed in 2012. The new compensation policy set out in Annex 2 comes into effect in 2013 and is in full compliance with article 520 ter of the Companies code.

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

<b>Compensation and other benefits granted to the other members of the Executive Committee (EUR)</b>	<b>2011</b>	<b>2012</b>
Base compensation	2 648 581	3 207 214
Variable compensation	1 704 062	2 630 344
Pension and death-in-service and disability coverage (costs paid or provided for)	643 573	697 382
Other compensation components <sup>2</sup>	87 884	81 328

2. Representation allowance, luncheon vouchers, company car, housing allowance,...

Executive Committee member's 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. Clamadiou and Auffret reflect the conditions they had at Rhodia. In the case of Mr. Clamadiou these take the form of a formal undertaking by Solvay SA.

## 6.6. Stock options

(see table below)

In March 2012, the Board of Directors allotted, on the proposal of the Compensation Committee, stock options to around 430 senior Group managers. The exercise price amounts to EUR 88.71 per option, with a three-year vesting period. Executive Committee members together were granted 174 427 options in 2012, compared with 109 000 in 2011.

## 6.7. 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 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.

### Stock options allotted in 2012 to Executive Committee members

Country	Name	Function	Number of options
Belgium	Jourquin Christian	Chairman of the Executive Committee (until May 10, 2012)	0 (at his request)
Belgium	Clamadiou Jean-Pierre	Chairman of the Executive Committee (effective May 11, 2012)	61 266
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
France	Auffret Gilles	Member of the Executive Committee	29 161
<b>TOTAL</b>			<b>174 427</b>

### Stock options held in 2012 by Executive Committee members

Country	Name	Options held at 31/12/11	granted in 12/2012	exercised in 2012	expired in 2012	31/12/11		
						held	exercisable	non exercisable
Belgium	Jourquin Christian (until 10/5/2012)	180 000	0	0	0	180 000	130 000	50 000
Belgium	Clamadiou Jean-Pierre	0	61 266	0	0	61 266	0	61 266
Belgium	de Laguiche Bernard	128 000	20 000	28 000	0	120 000	60 000	60 000
Belgium	van Rijckevorsel Jacques	115 000	18 000	19 000	0	114 000	60 000	54 000
Belgium	De Cuyper Vincent	91 000	17 000	16 000	0	92 000	43 000	49 000
Belgium	Mesland Jean-Michel	69 000	14 000	9 500	0	73 500	31 500	42 000
Thailand	Kearns Roger	66 800	15 000	5 300	0	76 500	32 500	44 000
France	Auffret Gilles	0	29 161	0	0	29 161	0	29 161
<b>TOTAL</b>		<b>649 800</b>	<b>174 427</b>	<b>77 800</b>	<b>0</b>	<b>746 427</b>	<b>357 000</b>	<b>389 427</b>

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 and the Executive Committee meet every month to discuss the financial reporting;
- > the Chairman of the Board has access to all information necessary to exercise his functions;
- > the Chairman of the Executive Committee is 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, management controls, 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 that acts as 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 this Corporate Governance Statement.

### 2. The risk management process

Taking calculated risks subject to 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 that are potentially significant for the activities of the Group, the Company has set up risk management systems.

Risk management is integrated in 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 this 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 avoid 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. Management control activities (First level control)

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 (in particular for production processes), 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 from the integrated IT systems (ERPs). 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 that are managed centrally and integrated, where appropriate, in the Shared Services Centers, and by application of uniform procedures.

#### 4. Internal-control supervision (Second 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 control system. Internal Audit's mission, covers in particular the following areas:

- > Risks, including fraud, are identified and managed;
- > Operational, management and (material) financial information is reliable;
- > The actions of the employees are in line with the Group's policies, standards and procedures.

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 complied with 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 statements 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 reason.

The audit mandate of Deloitte Réviseurs d'Entreprises SC s.f.d. SCRL expires at the ordinary Shareholders' Meeting of 2013.

The Board of Directors, based on the proposal of the Audit Committee, proposes to the ordinary Shareholders' Meeting to be held on 14 May 2013 to renew the audit mandate of Deloitte Réviseurs d'Entreprises SC s.f.d. SCRL, represented by Mr. Eric Nys, for three years. The Board also proposes to appoint Frank Verhaegen as alternate representative of Deloitte Réviseurs d'Entreprises SC s.f.d. SCRL for three years. The proposed yearly audit fees are EUR 1 146 300. They include the audit of the statutory accounts of Solvay SA as well as the audit of the Group consolidation.

## 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. It is based on a strong tradition of values that are historically ingrained in the Group's culture. This Code applies to every Solvay employee wherever Solvay operates or conducts its business.

The Solvay Code of Conduct provides general guidance to all employees about how to behave in the workplace, in Solvay's businesses and while representing Solvay in their communities. It is not an exhaustive document anticipating every situation employees may face in their day-to-day business. Rather, the Code highlights the guiding principles that form the basis of the Group's policies.

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 the 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 the Code is applied, including targeted training programs, in order to minimize the danger of violation and there are provisions for clear sanctions where necessary.

The Legal and Compliance function contributes to or enhances the compliance culture. They are under the authority of the Group General Counsel. The Ethics and Compliance department has the more specific objective of strengthening a culture based on ethics and on compliance with the Solvay Values and Code of Conduct.

Compliance Officers have been appointed in all four geographic zones where the Group is active. 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 opportunity, on a worldwide basis, 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, 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 and are regularly reminded 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 on page 16 of this Annual Report.

## 13. Relations with shareholders and investors

### 13.1. Performance of the Solvay share

Solvay shares are dually listed on NYSE-Euronext Brussels -the primary listing- and, since January 2012, on NYSE-Euronext Paris under the unique mnemonic code of SOLB. Furthermore, Solvay joined the CAC 40 stock index on September 21, 2012. Both these events reflect the Group's long history in France as well as its economic weight and growth perspectives in the country.

On December 31, 2012, its price was EUR 108.6, as against EUR 63.7 at the end of 2011. During 2012, the average price was EUR 87.7 and the highest price was EUR 109.8 (December 20, 2012).

Average daily trading volume as reported by Euronext was 304,000 shares in 2012, compared with 247,000 shares in 2011.

### 13.2. Active financial communication

Throughout the year the Investor Relations Team has endeavored to communicate in a timely and effectively manner with, and present financial and strategically relevant facts about and developments concerning Solvay to various investor groups, equity and credit analysts and other stakeholders, on a worldwide basis. To that end, in the course of the year, the Investor Relations team members have held regular contacts with financial analysts and institutional and retail investors, including updates with facts regarding financial and strategic trends and have organized selected presentations, visits and roadshows.

The Group is very attentive to 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 to the market in the form of press releases and/or press conferences and public presentations available in the Group internet website.

Solvay SA  
Investor Relations  
Rue de Ransbeek, 310  
B-1120 Brussels (Belgium)  
e-mail: investor.relations@solvay.com  
Internet: www.solvay.com

### 13.3. Individual investors

For many years the Group has maintained very close relations with 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 2012, the Solvay group actively continued its meetings with individual investors.

By way of example:

- > In March 2012, the Solvay group was presented at the "Day of the Investor" in Zwijnaarde (Ghent), an event attended by nearly 150 persons;
- > In April 2012, Solvay took part in the "Investors' Event", organized by the Netherlander federation of Investments Clubs and Investors, VFB (Vlaamse Federatie van Beleggingsclubs en Beleggers), and attended every year by more than 1 000 participants;
- > In May 2012, Solvay's participation in the "Finance Day" organized by the Belgian magazine MoneyTalk offered a further opportunity to meet individual shareholders.

### 13.4. Roadshows and meetings for institutional stakeholders

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

In 2012, over 500 contacts were established at meetings and events organized in Europe (Brussels, London, Paris, Frankfurt, Geneva, Zurich, Edinburg, Dublin, Milan, etc.), the United States and Canada. The Group senior management team also held a Capital Markets Day on April 24<sup>th</sup> 2012, to disclose its strategic vision and its value-creation growth ambition.

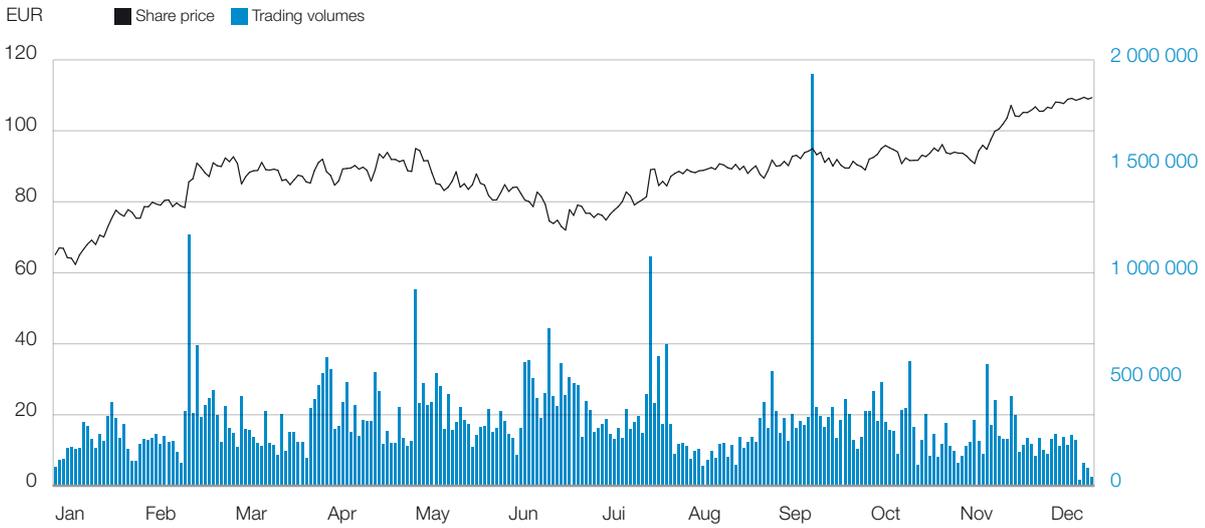
Conference telephone calls with management are also systematically organized, every quarter, to comment on Group results.

### 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 provides useful contacts with sell-side 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.

**Solvay share prices and trading volumes from January 1<sup>st</sup>, 2012 to December 31<sup>st</sup>, 2012**



**The Solvay share compared with indexes in 2012**



## 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 applicable 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, 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

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 is 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 sector) 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.

The compensation of the General Managers comprises: the Base Salary (reviewed on an annual basis), Annual Incentives, Long-term incentives and Other Benefits

In 2012, the Group has reviewed its compensation policy to better align Annual Incentives and Long-Term Incentives to market practices and reinforce the link between variable pay and business performance. The new compensation policy covers the Executive Committee members<sup>3</sup>, the General Managers and the Heads of large Global Business Units. The new compensation policy is effective as of 2013.

### Former Compensation Policy

In 2012, the following Annual Incentives and Long-term incentives were applicable to Solvay's General Managers and to the members of the Executive Committee<sup>1</sup>(including Mr Jourquin as CEO until May 2012).

#### Annual incentives

The annual incentive comprised an individual bonus depending on achievement of predetermined individual goals approved by the Board of Directors and a Group performance bonus.

The individual bonus target (assuming full achievement of objectives) ranged from 25% to 50% of the base salary depending upon position. The actual bonus ranged from zero in the

case of poor performance up to 150% of the target in case of outstanding achievement.

The overall Group performance bonus was linked to the ROE (return on equity of the past year). The target ROE bonus was set at 50% of Base Salary for Mr Jourquin as CEO until May 2012, 30% for Members of the Executive Committee and 25% for other General Managers, for an ROE between 9 and 10%.

#### Long-term incentives

The long-term incentive was delivered through periodic grants of stock options. Each year, the Board of Directors, upon the recommendation of the Compensation Committee, set the number of stock options that were granted respectively to the Chairman of the Executive Committee, the members of the Executive Committee and the other General Managers.

The number of stock options allotted in 2012 to Executive Committee Members is set under 6.6.

For other General Managers, the target number of stock options grant was 5 000.

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 vest as from the first day of the year following the third anniversary of the grant and expire eight years after the grant.

### New Compensation Policy

As from 2013, a new compensation policy will be applicable, to better align to market practices and reinforce the link between variable pay and business performance, while supporting the integration of both former Rhodia and Solvay groups.

The new policy introduces a new harmonized Short Term Incentive (STI) plan providing for annual bonus linked to the Group business performance and redesigns the Long Term Incentive (LTI) plan to introduce a link with the Group Performance.

#### Annual Incentives (STI)

Annual Incentives (Short Term Incentive) will be partly linked to the Group performance and partly linked to individual performance.

The target annual incentive ranges, according to position level, from 50% (General Managers and Heads of large GBUs) to 60% (Members of the Executive Committee) of base salary. The target short-term incentive will consist of 3 components weighted as follows:

> 30 % depending on the individual performance of the manager as measured against a set of pre-determined objec-

3. Excluding Messrs Clamadieu and Auffret whose compensation packages are governed by specific arrangements.

tives, approved, for Executive Committee Members, by the Board of Directors;

- > 60% linked to the actual performance achieved towards pre-set collective Group performance objective;
- > 10% related to a Group sustainable development indicator.

The actual annual incentive can vary from 0% in case of poor performance up to 200% of target in case of outstanding collective and individual performance.

#### **Long Term Incentives (LTI)**

Considering the development of market practices and the market positioning of the current long term incentive plan, the Group has redesigned the LTI to (i) better align to the desired market positioning level, by enhancing the overall value of the LTI package and (ii) introducing a direct link with the Group performance. The new long-term incentives will consist in a 50/50 mix of Stock Options (SOP) and Performance Share Units (PSU).

With respect to stock options, two main changes are introduced. The budget allocated to stock options will be enhanced targeting upper market level, and the number of SOP allocated will not be pre-defined, but will be derived from the fixed budget, considering the fair value of the SOP (according to the Monte Carlo Model) at grant date.

In addition to the SOP plan, a PSU plan is introduced. The PSU plan, settled in cash, provides for a possible pay-out in 3 years time if pre-set performance objectives are met (REBITDA, CFROI), with a +/- 20% adjustment depending on the actual performance versus the initial pre-set objective. The minimum pay-out can vary between 0 (if the minimum performance required or "threshold" is not met), 80% if the performance minimum "threshold" is met up to 120% for a performance exceeding a pre-defined ceiling performance.

In its sole discretion the Executive Committee (or the Board of Directors for the Executive Committee members) may decide/recommend individual grants of + or - 50% of the target to reward special or unique achievements or circumstances or to acknowledge insufficient performance, while respecting the split 50/50 between SOP and PSU grants.

Each annual LTI plan is subject to prior Board approval.

In its sole discretion, the Executive Committee (or the Board of Directors for Executive members) assesses the achievement of the targets and the Executive Committee (or the Board of Directors for Executive members) may also re-evaluate the targets in case of material change of perimeter or other unexpected circumstances.

**Short Term and Long Term Incentives applicable from 2013** (see table next page)

#### **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.

#### **Compensation of the Chairman of the Executive Committee as of 2013**

The base salary of the Chairman of the Executive Committee remains at EUR 1 million. The Annual Incentive target is set at 100% of such base salary, with a maximum of 150%. In accordance with the new Group compensation policy, Long Term Incentives will be composed of a 50/50 mix of stock options and so-called Performance Share Units with a global target grant of EUR 1 million and a maximum grant of EUR 1.416 million.

## Short Term and Long Term Incentives applicable from 2013

	Comex				Other General Managers & Heads of large GBUs			
<b>SHORT TERM INCENTIVES - STI</b>								
	<b>Target STI in % of Base Salary</b>	Part of STI linked to <b>Individual performance</b>	Part of STI linked to <b>Group performance</b>	Part of STI linked to <b>Sustainable Development Indicator</b>	<b>Target STI in % of Base Salary</b>	Part of STI linked to <b>Individual performance</b>	Part of STI linked to <b>Group performance</b>	Part of STI linked to <b>Sustainable Development Indicator</b>
	<b>60%</b>	<b>30%</b>	<b>60%</b>	<b>10%</b>	<b>50%</b>	<b>30%</b>	<b>60%</b>	<b>10%</b>
Actual STI pay-out can vary between 0 and 200%, according to the level of individual or Group performance achieved.								
<b>LONG TERM INCENTIVES - LTI</b>								
<b>Performance Share Units (PSU)</b>	Target Grant		Vesting after 3 years		Target Grant		Vesting after 3 years	
	<b>EUR 250 000</b> The corresponding number of PSU is determined at grant date based on the fair value of the PSU		between 0% and 120% of granted PSU number depending on the actual achievement over a 3 years period of the pre-set Group Performance targets		<b>EUR 200 000</b> The corresponding number of PSU is determined at grant date based on the fair value of the PSU		between 0% and 120% of granted PSU number depending on the actual achievement over a 3 years period of the pre-set Group Performance target	
<b>Stock Options (SOP)</b>	Target Grant				Target Grant			
	<b>EUR 250 000</b> The corresponding number of SOP is determined at grant date, based on the fair value of the SOP				<b>EUR 200 000</b> The corresponding number of SOP is determined at grant date, based on the fair value of the SOP			
<ul style="list-style-type: none"> <li>– Each annual Long Term Incentive plan is subject to prior approval by the Board of Directors.</li> <li>– The Board of Directors may decide individual grants of +/- 50% of the target to reward special achievements or circumstances or to acknowledge poor performance, with respecting the split 50/50 between SOP and PSU's grants.</li> </ul>								

**Notes**

- 1) Excluding Messrs Clamadiou and Auffret whose compensations are governed by specific agreements
- 2) The Board of Directors assesses the achievement of the targets and may also re-evaluate the targets in case of material change of perimeter or other unexpected circumstances