



CHARTER

People Governance to strengthen Corporate Governance

Charter for company directors and their Boards of Directors



People Governance Commission

15 February 2007

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Foreword

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

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

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

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

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

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

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

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

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

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

Serge Hubert
15 February 2007

Introduction

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

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

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

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

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

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

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

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

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

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

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

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

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