

Part 5: Corporate sustainable governance

A . Charter

1. General Assemblies

The annual General Assembly of Shareholders takes place on the third Wednesday of the month of September at 16.00 at the company headquarters. If that day is a holiday, the assembly will be held on the first business day thereafter.

All General Assemblies are called in accordance with the law.

The Board of Directors and the Auditor may call the General Assembly and determine the agenda.

The General Assembly must also be called within one month of an appeal or written request from shareholders representing jointly 1/5th of the company capital.

Each share entitles the holder to one vote. In order to attend the assembly, each owner of bearer shares must make a deposition to that effect by no later than three full days prior to the appointed date of the assembly at the company headquarters or in the establishments indicated in the summons letter. Said owner must present the proof of deposition of his/her shares prior to the opening of the session. The owners of dematerialised shares must submit a certificate of an acknowledge accountholder at the same time from which the unavailability of the dematerialised shares is apparent up to the date of the General Assembly.

Shareholders shall vote in person or through a proxy. Each proxy must meet the conditions to gain access to the assembly.

The General Assembly may not deliberate on matters that are not announced on the agenda.

2. Board of Directors

Composition

The composition of the Board of Directors is the result of the structure of shareownership in the company where family shareholders, with the support of Sofina NV, are reference shareholders.

As in the past, the family shareholders ensure the stability and continuity of the company and thus, promote the interests of all shareholders.

They choose to propose the role of director to a limited group of representatives with diverse backgrounds, wide experience and thorough knowledge of the company. The directors form a small team with the necessary flexibility and efficiency to adapt itself at any time to market events and opportunities.

There are no statutory rules for the appointment of the directors and the renewal of their mandate. The Board of Directors has decided to propose candidates for possibly renewable terms of no more than four years.

The General Assembly of Shareholders has the exclusive right to appoint (and if necessary to dismiss) the directors.

At this time, the Board of Directors is composed of two executive directors and five non-executive directors, one of which is an independent director.

The Board of Directors is of the opinion that an increase in the number of members must be associated with a significant improvement for the general management of the Colruyt Group.

In line with the Colruyt Group long-standing tradition, Mr Jef Colruyt is currently the Chairman of the Board of Directors and Chairman of the Colruyt Group Directorate and the Future Council. This deviation from the recommendations of the Belgian Corporate Governance Code for companies quoted on the stock exchange is justified in light of the Colruyt Group's history and the desire of the reference shareholders to entrust one of them with the leadership of the Group Directorate.

Functioning of the Board of Directors

The Board of Directors meets every quarter in accordance with a previously determined schedule. The meetings are always held during the second half of the months September, November, March and June.

When necessary, interim meetings are held to discuss specific subjects or to

make decisions within specific time-frames.

The decisions of the Board of Directors are only valid if at least one half of the members of the Board are present or represented. All decisions of the Board of Directors are made by an absolute majority of votes. In the event of a tie, the Chairman's vote is decisive.

During the quarterly meetings of the Board of Directors, ideas are exchanged and decisions are made on general strategic, cultural, economic, commercial, financial and accounting issues affecting the companies in the Colruyt Group. This takes place based on a dossier which, in addition to consolidation information about the Colruyt Group, also contains detailed information on each of the sectors in the Colruyt Group and its various companies.

Fixed items on the agenda include financial results, financial prospects, investment prospects and activities reports per sector in the Colruyt Group. The directors receive their dossier at least five days prior to the meeting.



The Group invests in new distribution centres for Colruyt, DreamLand and ColliShop.



Committees within the Board of Directors

In view of the limited number of members of the Board of Directors, no Nomination Committee or Remuneration Committee will be formed.

Decisions regarding Director compensations, the remuneration of the Chairman of the Management Team and the basic principles underlying the remuneration of the Management Team are still made by the Board of Directors as a whole.

The Chairman of the Management Team is responsible for the implementation of these basic principles and of the individual remuneration of the members of the Management Team and the Future Board.

The Board of Directors created an Audit Committee composed of the independent director and a number of non-executive directors. This committee works with the Group Directorate and the Auditor.

The Audit Committee has drafted an internal code. This code is published

on our website at www.colruyt.be/financial info.

The members of the Audit Committee receive no special compensation as members of this committee.

Remuneration

There is no protocol regarding exercise of the function of Director. It is not common policy to grant loans or advances to Directors. The Directors do not receive bonuses or share-related incentive programmes or advantages in kind or advantages related to a pension plan.

In their capacity as Director, the Executive Directors receive the same remuneration components and advantages as the Acting Management of the Colruyt Group.

The compensations of the Directors (individual) and of the members of the Group Directorate (collective) are published in the annual report.

Pursuant to the statutory provisions, no more than 10% of distributable profits (excluding the profit participation of

the employees) are reserved for the Directors and at least 90% for shareholders.

3. Day-to-Day management

Under the Chairmanship of Mr. Jef Colruyt, the Colruyt Management Team is composed of the managers of the various sectors in the Group and the Chief Financial Officer and two Personnel Managers of the Group.

The Colruyt Management Team determines the global strategy and policy options at the group level and ensures coordination between the various sectors of the Group.

The Future Board is composed of all managers and deputy managers in the Colruyt Group. The Future Board defines the common objectives for each of the sectors in the Colruyt Group.

The Future Board also devotes special attention to the development and long-term vision of the Colruyt Group, making proposals in that area to the Board of Directors which makes the final decisions.

These meetings are scheduled at fixed times, respectively every four and eight weeks and are chaired by Jef Colruyt, Chairman of the Board of Directors.

There are also biweekly/monthly meetings under the chairmanship of the general managers, with the managers of the various sectors. Those meetings are devoted to the concrete implementation of the policy options chosen.

Day-to-day management of the company is shared by the General Manager for commercial, organisational and personnel matters and the Chief Financial Officer for financial and accounting matters.

Each manager and deputy manager named as a member of the Future Board has the obligation within their individual department to ensure compliance with all legal, regulatory, organic and conventional provisions and is responsible in the event of a breach thereof.

■ 4. Appropriation of returns – dividend policy

The General Assembly may, at the proposal of the Board of Directors, decide to fully or partially allocate distributable profits to a free reserve or to carry them over to the following fiscal year.

The Board of Directors strives to at least increase the annual dividend per share in proportion with the increase in Group profits. Though this is not a set rule, at least 1/3rd of the Group's economic profits are paid out annually in the form of dividends and premiums. Pursuant to the statutory provisions, at least 90% of distributable profits (excluding the profit participation of the employees) is reserved for the shareholders and no more than 10% is reserved for the Directors.

■ 5. Shareholders / shares

Transparency notification

Each shareholder holding at least 5% of the voting rights must comply with the law of 2 May 2007 on the disclosure of significant participations, the Royal Decree of 14 February 2008 and

the Code of Companies.

The legal thresholds per bracket of 5% apply. Those concerned must send a notification to the Banking, Finance and Insurance Commission and the company.

The most recent transparency notification is published in the company's annual report and on the website at www.colruyt.be/financial info.

The most recent transparency notification shows the existence of a reference shareholder group in the share ownership structure. The Colruyt family and the Sofina Group are shareholders who act by mutual agreement.

These shareholders have also reported that they held more than 30% of the shares issued with voting rights, pursuant to the law of 1 April 2007 on public offerings.

Insider knowledge

Those persons with access to insider knowledge in the company and the directors are regularly reminded in writing of the related legal and administrative obligations and penalties tied to misuse or illegal diffusion of such information. During a period of one month prior to publication of the annual or half-yearly results, no transactions in Colruyt shares are carried out for these persons through the company. The same holds true for the period during which people gain knowledge of sensitive information not yet made public.

Pursuant to the Royal Decree on market abuse of 5 March 2006, lists of insiders have been drawn up and are managed by a manager. Directors must report share transactions to this manager who then makes such transactions public.

■ 6. Information for shareholders

All useful information for shareholders is published on our website www.colruyt.be/financial info. All interested parties may register with the company to receive automatic notifications each time the website is modified or if new financial information is published on the website.

B. Events during the fiscal year

■ 1. Audit committee

The internal code of the Audit Committee is published on our website at www.colruyt.be.

François Gillet, Piet Colruyt (Herbeco NV), Non-Executive Directors and Willy Delvaux (BVBA Delvaux Transfer) Independent Director form the Audit Committee.

Under the chairmanship of François Gillet, the committee met on 11 June 2008, 17 September 2008, 21 November 2008 and 18 March 2009. During each meeting, the financial figures in the working document for the meeting of the Board of Directors were examined in detail and explained by the Financial Management.

The auditors also presented their audit of the half-yearly and annual results each time.

The "risk management cell" (internal audit) of the Colruyt Group has also drafted a quarterly report for the committee each time

The Audit Committee's recommendations and findings are fixed items on the agenda for the meeting of the Board of Directors.

All members of the Audit Committee were present at each meeting, except at the November meeting, where one director was absent and was excused.

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2. Meetings of the Board of Directors

The Board of Directors held four ordinary meetings during this fiscal year: in June 2008, September 2008, November 2008 and March 2009. The first three meetings each took up an entire day and the main points were the discussion and development of the

services provided by the various brands and the Group's business activities. The meeting in March 2009 was held in France over two days in Rochefort-sur-Nenon (Dole, France). The directors were given an overview of the activities in France and met the local management. A number of Colruyt stores were also visited.

All directors were present at each meeting, except at the March meeting, where one director was absent and was excused.

Board of Directors compensation

In 2008/2009, the members of the Board of Directors received the following compensations:

in Euros	Jef Colruyt	Frans Colruyt (**)	François Gillet (***)	Anima N.V. (****)	Herbeco N.V.	Farik N.V.	Delvaux Transfer BVBA
emolumenten(*)	81 200	81 200	81 200	324 400	81 200	81 200	81 200

* Gross annual sums in Euros

** Frans Colruyt also receives a salary as manager of the Colruyt Group

*** François Gillet's compensation is paid to Rebelco SA, subsidiary of the Sofina Group, his employer.

**** The compensations of Jef Colruyt as Chairman of the Board of Directors were paid to Anima NV.

Proposal is made to the General Assembly of Shareholders on 16 September 2009, to pay € 3 366 0000 as bonuses to the Board of Directors.

This amount will be divided among the directors, with the exception of the BVBA Delvaux Transfer

Management Team compensation

See page 35 for the composition of the Directorate group.

in Euros (*)	Bezoldiging (*)	Winstpremie (*) (**)	Groeps-verzekering
Total Directorate group	1 957 312.72	1 408 540.40	261 455,10

* Gross annual sums. From the gross salaries, 34.92% is also paid out as NOSS contributions.

** Six managers opted to receive their participation in profits in the form of shares, in accordance with the law of 22 May 2001. In total, this concerned 238 shares. The value of these shares is included in the calculation above.

Out of respect for the privacy of the members of the Management Team, we only provide the total remuneration paid.

The compensation of Jef Colruyt as CEO is included therein and was determined by the Board of Directors based on the market study recommended by the firm Towers Perrin.

There are no other agreements regarding redundancy pay and the like.

The members of the Management Team do not receive stock options for COLRUYT shares.

C . Risk management

1. General

The Group strives to carry out a sustainable policy in the development of its business. In connection with its normal business operations, the Group is exposed to a number of important risks. Controlling these risks is a key task of each management team member within his area of operations. The Group has developed a supporting risk management system ("Coris") for the allocation of this responsibility. The system relies on the concepts of Enterprise Risk Management (ERM) and ensures that risks for all areas within the Group go through the following process steps in a structured manner: identification, analysis, evaluation, setting up control measures, monitoring and steering. This method is also applied to projects and new initiatives. The implementation and the correct functioning of these processes is supported by the risk management cell and monitored by the Board of Directors and the Audit Committee.

The major risks in connection with the activities of the Colruyt Group are specified in a risk universe that can be divided into five categories:

- Strategic risks: such as market dynamics, governance, planning and allocation of resources, important initiatives, acquisitions and communication.
- Operational risks: these include marketing and sales, purchasing, stocks and production, human resources and organisation, information technology, fixed assets, theft.
- Financial risks: these concern the risks connected to the financial markets (interest rates, currencies, commodities), liquidity and loans, capital structure, accounting and financial reporting. A number of these risks are discussed in more detail in the notes to this annual report in the chapter "Risks in connection with financial instruments". (See note 26 on page 89).
- Legal risks: codes of conduct (ethics,

fraud), legal risks, laws and regulations.

- Force majeure risks: natural disasters, fire, terrorist acts, power failures.

A number of the more relevant risks for the Colruyt Group are discussed in more detail below.

2. Consumer spending and inflation

An important strategic risk of the Group mainly concerns the development of consumer spending and cost-induced inflation. As Colruyt strives to guarantee the lowest prices on the market to the consumer, the actions of competitors can influence the profitability of the Group. Therefore, the Group constantly seeks to monitor and analyse its cost structure and to implement measures to improve efficiency where possible.

3. Supply risks

In order to limit the supply risk within the Colruyt Group, the Group strives to establish a transparent relationship with all its suppliers. Furthermore, no single supplier has a dominant position that could jeopardise the supply process. Finally, scarcity problems or supply problems can be absorbed within the network of the purchasing group Coopernic. The activities of DATS 24 are an exception to the dependence that the Group has regarding petrol suppliers. In order to limit the supply risk as much as possible, the Colruyt Group strives to conclude long-term contracts with its suppliers. Supply risks, of whatever size, can have an impact on the results of the Colruyt Group.

4. HR related risks

The Group has syndicate representatives in most of its activities in Belgium and France. Social actions at the initiative of unions within or outside of our organisation or at the initiative of a number of its employees can have a negative effect on the results and the activities of the Group, in the sense that these activities could temporarily obstruct distribution, sales or produc-

tion or other supporting services. The Colruyt Group strives to minimise this risk by maintaining a strategy of open communication with regard to all social partners

5. Risks in connection with product liability

The production, packaging and selling of food products and other trading goods can entail risks of product liability, obligations to take back or replace goods. Products can be soiled, infected or defective or could contain foreign objects and nevertheless be distributed by the Group unintentionally. As a result, the Group can be exposed to claims in connection with product liability. Even if the claims with regard to product liability are not successful, the Group could suffer from the negative publicity in connection with such a claim. The Group has concluded insurance policies to insure itself against the risks of product liability. The Group is also active in the area of food safety and carries out extensive quality audits on products that are intended for sale and sets up programmes together with its suppliers to monitor the quality in a permanent manner. As far as non-food products are concerned, the Group requires that its suppliers adhere to the agreed return and/or replacement obligations agreed in advance. For work carried out by the Group's engineering companies, warranties are given to the customer and provisions are made based on historical data to cover the warranties.

6. Risks in connection with growth

The Group is committed to a growth strategy that also includes growth through acquisitions in addition to organic growth. The success of this growth depends therefore also on the degree in which the Group succeeds in making acquisition that they are able to integrate successfully with its existing activities. In connection with these

acquisitions, Colruyt also makes international acquisitions, which expose the Group to the economic, social and political risks connected to the activities in these countries.

■ 7. Insured risks and risks with own cover

The Group manages its insurable risks through a combination of external insurance and own cover. The Group bases its decision on its safety and prevention programmes on the one hand and the cost price of external cover on the other hand. External insurance is used when available at a reasonable cost on the insurance market or when insurance policies are mandatory. The main risks that are covered by our insurance policies are:

- Damage to buildings and business interruptions due to fires, explosions or other dangers. The Colruyt Group seeks to avoid these dangers in as far as possible through fire safety and prevention programmes.
- Liability due to damage to third parties caused by our activities, products and services.
- Recall expenses
- Accidents at work and the obligations in connection with personnel.

The Group also makes use of its reinsurance company Locré, which is a wholly-owned subsidiary. The objective of this reinsurance programme is to provide permanent flexibility in its risk programme and to optimise the costs thereof in the function of the risks

■ 8. Risks in connection with environmental liability

In general, the Group can always be held responsible for repairing accidental damage to the environment, regardless whether this damage to the environment was caused by the Group or by a previous owner or tenant. The Group has concluded insurance policies for these types of risks. As far as its petrol station activities are concerned, the Group adheres to the statutory inspection obligations and it also carries

out additional inspections to detect pollution timely. A decontamination plan is immediately drawn up for pollution that has been detected.

■ 9. Information technology risk

The Group is dependent to an important extent on the IT systems that it has developed in house that are maintained and further developed by a team of experienced specialists. A malfunctioning of the system, even for one day, can result in an immediate loss of sales for the Group. The Colruyt Group strives to safeguard the continuity of the data processing through various back-up systems and contingency back-up scenarios.

■ 10. Financial reporting

The not timely reporting of financial figures can have a large impact on the stock exchange value of the Colruyt Group. In order to communicate and provide information as transparently as possible, the Colruyt Group publishes financial press releases on dates agreed in advance. In addition, the communication efforts of the management take the form of road shows and regular telephone contacts as well as actual visits of and with investors and analysts. Finally, more than 20 analysts publish reports at regular intervals with financial information about the Colruyt Group.

■ 11. Regulatory risks

The Group is subject to the applicable laws and regulations of each country in which it is active as well as to the laws and regulations imposed by the European Union. As a result of its listing on Euronext Brussels, the Group is subject to Belgian and European laws regarding publication obligations and insider trading. The Group strives to respect its statutory obligations. Due to changing laws and regulations, the Group may have to invest further in its administrative or other processes, each

time that the legal framework changes.

Changes in the laws and regulations in a land or region where the Group operates can have an effect on the result of the Colruyt Group. To the extent possible, the Colruyt Group strives to accommodate changes in a proactive manner, in other words, by adopting an innovative and progressive approach. The best example of this are the environmental laws where possibly more stringent emission standards are already accommodated by means of proactive investments in solar energy, wind energy and hybrid trucks. Furthermore, changes in tax laws can influence the realised profit of the Group both positively and negatively.