

Dear colleagues,

For the 48th consecutive year, the Belgian Association of Financial Analysts is granting its annual *Award for Best Financial Information*. This recognition aims to reward those Belgian listed companies that stand out in terms of communication policy, transparency and investor relations.

Over the past weeks, 39 equity analysts and 6 fund managers have screened listed companies on how they communicate with the financial markets and how they make financial information available to the market in general and to investors in particular.

We are very pleased with the repeated commitment shown by a vast majority of our analysts and colleagues. We sincerely wish to thank them for their engagement, which is especially appreciated during these difficult times of global financial crisis. There is however also a flipside to this coin. Companies may ask themselves how they can best improve their transparency and communication in order to avoid ill-founded speculation so that, at least in the interest of the company itself, the markets can interpret and value the performance of the company as accurately as possible. When this process has been completed, we will hopefully be able to say that we have witnessed a step forward in financial communication.

Today we do find ourselves in the middle of a crisis, where correct financial information has, without any doubt, a crucial impact. This crisis, with its origins in the US sub-prime market and where potential solutions are implemented via extensive regulation and state control, raises significant questions regarding the current financial system and its information provision. A number of issues need to be addressed. Within this context the role of the current supervisory institutions will be reassessed, the financial remuneration systems within banking as well as their impact must be reevaluated and the current governance structures and the way they should adapt to the current market circumstances

should be reanalysed. EFFAS, in a certain sense the mother company of ABAF-BVFA, has issued several recommendations that enhance and optimize a quicker and more adequate information distribution.

Supervision

Banks have been operating on a global basis for some time now, while the regulatory bodies are organized on a mainly national basis. Such an organisational structure has obvious limitations. Therefore, either a supra-national body should be established or, alternatively, a better coordinated international supervisory structure should be established in order to control global players more effectively and activate warning systems more effectively.

Governance structure

Most European countries have very efficient stock corporation laws that clearly define many procedures (management vs. supervisory boards, etc). Therefore, we believe that the existence of a corporate governance code is to be welcomed as an additional tool, but that the entire responsibility cannot be based upon a governance code alone. Stronger regulation is a must. Issues such as the easy granting of loans assuming that real estate prices can only rise, or the pay out of bonuses being as high as the yearly dividend pay-out of companies, or the extremely high remuneration packages (including base salary, bonus, stock) that have occurred when they were no longer based upon any realistic underlying business trend must be better monitored and regulated. If this is not the case, key decision makers assume neither responsibility nor risk.

Products

Banking products should be created and traded in a highly transparent fashion. When highly sophisticated products are created by financial institutions (or former investment banks), the products should be of sufficient transparency to ensure that responsible traders and risk managers are able to satisfactorily understand the features and properties of the products. This has obviously not been the case in recent times.

Financial reporting

Reporting at quarterly intervals is a welcome practice, but, in particular the strong focus on a quarterly EPS (earnings per share) guidance only, does not provide the solution to monitoring the development of a listed company. Quarterly EPS figures do not support the efficient and sustainable further development of a company, but rather, reflect a short-term driven approach to which company management must react. Therefore, the actions and decisions of managers are often guided by very short-term goals in the same way as reflected in their remuneration systems.

But nevertheless it is our firm belief that the quality of the reporting has improved considerably over the past few years. Several companies start publishing a more comprehensive half-year report. The half-year releases are therefore no longer just a few pages with too little information. The midyear report has become, in a number of cases, a kind of annual report issued half-year with significant qualitative and quantitative information. And this, ladies and gentlemen, compensates to some extent for the fact that a number of companies have switched to so-called qualitative trading statements as far as the quarterly reporting is concerned.

State must be separate from financial institutions and listed companies

We, in EFFAS, strongly support a capital market orientation with an emphasis upon efficiency. Thus, we believe that it is absolutely vital for the state to refrain from influencing economies, private industries and sectors. Recent examples indicate, on the other hand, that it is not always the best option to completely privatize (for 100%) a stock listed company. It would make sense with a view to achieving stable and sustainable development that, in addition to any shareholders, the state, a foundation or a strategic shareholder with a long term orientation should hold a minority stake to ensure a better structural balance.

Conclusion, summary

We believe that the issues that we are addressing, are crucial for the construction of a better-functioning financial system in the future. But we also believe that we will get there in the future. Local initiatives such as this Award, improve consistently the quality of the financial communication. As such they improve the efficiency of the market and eventually should help avoiding big surprises in the financial world. We will continue to strive for better, more transparent and quicker financial communication as we have done for years now.

I now gladly give the floor to Mrs Brigitte Hudlot, Director of ICHEC Entreprises. She will convince us that the gap and the misunderstanding of non-financial information for financial specialists can be reduced.

Thank you,

Hans Buysse