

# Corporate Governance

## 1. General

This section summarizes the rules and principles by which the corporate governance of Devgen has been organized pursuant to Belgian company law, the company's articles of association and the company's corporate governance charter that has been established on March, 14, 2006 and amended on February 2, 2007. Devgen's Board of Directors to a very large extent complies with the Belgian Code for Corporate Governance, but believes that certain deviations from its provisions are justified in view of the company's particular situation. These deviations are further explained.

Devgen's Corporate Governance charter includes the following specific chapters:

- General information
- Board of Directors
- Audit Committee
- Nomination and Remuneration Committee
- CEO and Executive Management
- Remuneration policy
- Shareholders and Shareholders' Meetings

The charter is made available on the company's website ([www.devgen.com](http://www.devgen.com) under the section Investor Relations/Corporate Governance) and can be obtained free of charge at the registered office of the company. In this registration document a short version of the charter is included.

### 1.1. COMPOSITION OF THE BOARD OF DIRECTORS

The Board of Directors at 31.12.2007 consisted of 7 members. These members are included in table 1 below. The Board of Directors believes that Mr. Bamelis, Mr. Leemans, Mr. Vermeiren and Mr. Williamson qualify as independent directors. The following paragraphs contain brief biographies of each of the directors:

- Pol Bamelis NV, represented by Mr. Pol Bamelis, PhD, Chairman, Non-executive, independent director. He started his career with Bayer AG Leverkusen and retired from Bayer in 2001, after 36 years with the company, including 10 years as an executive Board member with responsibilities for worldwide R&D. From 2002, Dr. Bamelis is also board member of Innogenetics NV, Medigene AG, and Actogenix.
- Jan Leemans, Ph.D, Non-executive, independent director. Jan Leemans is the former research director of Plant Genetic Systems in Ghent, Belgium. In the late nineties, he was member of the board of Hoechst Shering AgrEvo GmbH in Germany, of Nunza B.V. in the Netherlands and of the Flemish Institute of Biotechnology (VIB) in Belgium. He is currently also on the board of Misr Hytech Seeds Int. in Egypt.
- Patrick Van Beneden, Non-executive director. Patrick Van Beneden is the executive vice-president of GIMV - Life Sciences, responsible for GIMV's investment portfolio in life sciences. He is a board member of Biotech Fonds Vlaanderen and VZW FlandersBio, Astex (UK), TorreyPines Th. (US), Pamgene (the Netherlands), Acertys (Belgium), Actogenix (Belgium), I&I-Gent and a member of the advisory board of

Oxford Bioscience Partners. He is also former board member of Innogenetics, Crucell and Pharming.

- Remi Vermeiren, Non-executive, independent director. Remi Vermeiren is the former managing director of KBC Bank (from 1989 to 1998) and chairman of KBC Bank and Insurance Company (from 1998 to 2003 when he retired). He holds various board positions in other private and public companies such as Euronext and Cumerio NV.
- Alan Williamson, PhD, *Non-executive, independent director*. Alan Williamson is the former vice-president of basic research, immunology and inflammation and vice-president of research strategy at Merck US. He was a member of the advisory council of the NIH National Human Genome Institute from 1998 to 2002 and currently is a member of the Sequencing Advisory Panel and chair of the Human Microbiome Advisory Panel. He is a Non-executive Director of Argenta Discovery Ltd and Onconova Therapeutics Inc.
- Thierry Bogaert BVBA, represented by Mr. Thierry Bogaert, PhD, Founder, managing director, chief executive officer (CEO). See executive management, section 4.2.4.
- Hilde Windels BVBA, represented by Mrs. Hilde Windels, Executive director, Head of Human Therapeutics Division. See executive management, section 4.2.4.

Each of the board members has confirmed not to have been involved in any (fraudulent) bankruptcy.

### 1.2. Litigation statement concerning the directors or their permanent representatives

At the date of this annual brochure, none of the directors or, in case of corporate entities being director, none of their permanent representatives, of the Company has, for at least the previous five years:

- any convictions in relation to fraudulent offences;
- held an executive function in the form of a senior manager or a member of the administrative, management or supervisory bodies of any company at the time of or preceding any bankruptcy, receivership or liquidation; or has been subject to any official public incrimination and/or sanction by any statutory or regulatory authority (including any designated professional body), other than Remi Vermeiren. Remi Vermeiren was, in the context of a judicial inquiry into the alleged collaboration within KBLuxemburg and KBC with tax evasion by clients, together with 12 other individuals, referred to the Brussels correctional court. Mr Vermeiren, the other individuals as well as KBC and KBL dispute the accusations made against them.
- has ever been disqualified by a court from acting as member of the administrative, management or supervisory bodies of any company or from acting in the management or conduct of affairs of any company.

### 1.3. BOARD MEETINGS IN 2007

In 2007 the Board of Directors has held 15 board meetings of which:

- 7 regular board meetings dealing with matters such as strategy, business,

- finance, HR and other relevant topics
- 1 board meeting fully related to the dealing code
- 1 board meeting fully related to Monsanto
- 5 notary deeds
- 1 teleconference board meeting related to the annual financials

#### .1.4. COMMITTEES OF BOARD OF DIRECTORS

The board of directors has established an audit committee and a nomination and remuneration committee. The board of directors appoints the members and chairman of each committee. Each committee must be composed of at least three members.

The composition of the committees in 2007 was as follows:

Audit committee: Mr. Remi Vermeiren (chairman),  
Mr. Pierre Hochuli (till June 2007) – has been replaced by Pol Bamelis N.V.  
Mr. Patrick Van Beneden

Nomination and Remuneration Committee (as of June 2007):

Mr. Pierre Hochuli (Chairman) (till June 2007) – has been replaced by Pol Bamelis N.V. (chairman),  
Mr. Jan Leemans,  
Mr. Patrick Van Beneden

The terms of reference of these committees are set out in Devgen's Corporate Governance Charter (sections 3 and 4), which is available on Devgen's website ([www.devgen.com/corporate\\_governance.php](http://www.devgen.com/corporate_governance.php)).

Depending on the need, the board can set up ad hoc committees. These committees are chaired by a member of the board of directors and may be composed of one or more board members. The committee may invite any non-member to attend its meetings. To date, the board has established an agro strategy committee, a pharma strategy committee and various temporary ad hoc committees to deal with specific topics.

TABLE 1: BOARD OF DIRECTORS

Name	Age	Position	Term until (1)	Other Mandates
Mr. Pierre Hochuli Avenue Brassine 72 - 1640 Rhode St Genèse Belgium	60	Chairman, independent, non- executive director (until 01.06.2007)	2007	Unibioscreen, Oncomethylome Sciences, Royal DSM
Pol Bamelis NV, represented by Dr. Pol Bamelis Strandstraat 2 - 8300 Knokke Belgium	67	Independent, non- executive director Chairman (as of 01.06.2007)	2008	Innogenetics NV, Medigene AG, Sioen, Recticel, Oleon, Polytechnos, Televic, Universiteit Leuven, Actogenix
Dr. Jan Leemans Gaillystraat 3/104 - 8670 Koksijde Belgium	52	Independent, non-executive director	2008	Misr Hytech Seed Int., Egypt.
Mr. Patrick Van Beneden GIMV Karel Oomsstraat 37 - 2018 Antwerpen Belgium	44	Non-executive director	2008	Pamgene, I&I Gent, TorreyPines Therapeutics, Astex Technology, Biotech Fonds Vlaanderen, VZW Flanders Bio, Actogenix, Acertys
Mr. Remi Vermeiren Boomgaardstraat 6 - 9620 Zottegem Belgium	67	Independent, non-executive director	2008	Euronext, Cumerio NV, Afinia Plastics NV, Ravago NV, Hobbyrama NV, Gondry SA, Hout Van Steenberge NV, Cometal NV, Stock Van Wiemeersch
Dr. Alan Williamson Maywood One Tree lane - Beaconsfield Bucks HP8 2BU United Kingdom	70	Independent, non-executive director	2008	Argenta Discovery, Onconova
Thierry Bogaert BVBA, represented by Dr. Thierry Bogaert Devgen NV Technologiepark 30 - 9052 Zwijnaarde Belgium	46	Director, CEO	2008	

Hilde Windels BVBA, represented by Mrs. Hilde Windels Devgen NV Technologiepark 30 - 9052 Zwijnaarde Belgium	42	Director, Head of Human Therapeutics Division	10 march, 2008	
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*(1) The term of the mandates of the directors, except for Mrs. Hilde Windels whose mandate ended at March 10, 2008, will end immediately after the annual General Shareholders' meeting held in the year set out next to the directors' name.*

## 2. Executive management

### 2.1. GENERAL PROVISIONS

The Board of Directors has appointed the CEO of the company. The terms of reference of the CEO have been determined by the Board of Directors in close consultation with the CEO. The business of Devgen and its subsidiaries is organized in two business units:

- Agro business unit
- Human Therapeutics business unit

The CEO oversees the different business units and staff functions. Together with the CEO, the CFO, the COO, the HR Director, and the General Counsel constitute the management board of Devgen. The management board does not constitute an executive committee (directiecomité/comité de direction) within the meaning of Article 524bis of the Belgian Company Code.

### 2.2. CHIEF EXECUTIVE OFFICER

The CEO is appointed, and can be removed, by the Board of Directors of the company.

The CEO is charged by the Board of Directors with the day-to-day management of the company and is therefore also managing director of the company. In this function, the CEO has the following general responsibilities:

- He is responsible vis-à-vis the Board of Directors for the management of the company and the implementation of the decisions of the Board of Directors, within the strategy, planning, values and budgets approved by the Board of Directors.
- He oversees the different departments and divisions of the company, and reports to the Board of Directors on their activities.
- He is responsible for the development of proposals for the Board of Directors relating to strategy, planning, finances, operations, human resources and budgets, and such other matters that are to be dealt with at the level of the Board of Directors.

The CEO has certain specific tasks. These are further described in the terms of reference of the executive management as set out in the company's corporate

governance charter.

### 2.3. OTHER MEMBERS OF THE EXECUTIVE MANAGEMENT

The members of the executive management are appointed and removed by the CEO of the company in close consultation with the Board of Directors. Their tasks are the following:

- They must organize their departments in accordance with the guidelines determined by the CEO.
- They report to the CEO on the operation and activities of their departments.

### 2.4. COMPOSITION OF THE MANAGEMENT BOARD (AS OF JANUARY 2008)

TABLE 2: MEMBERS OF THE MANAGEMENT BOARD

Name	Position	Age
Thierry Bogaert BVBA, represented by Thierry Bogaert, PhD	Managing director and chief executive officer (CEO)	47
Sabine Drieghe	Human Resources Director	42
Stefan Frey	Chief Operating Officer (COO), Head of Nematicide unit	54
Wim Goemaere	Chief financial officer (CFO), joined Devgen on January, 7 <sup>th</sup> , 2008	44
Rick Jones	Head of Business and COO Pharma	50
Stephane Wilmes	General Counsel	41
Hilde Windels BVBA, represented by Hilde Windels	Head of Human Therapeutics division	42

Following are biographies of the management board:

- Thierry Bogaert BVBA, represented by Thierry Bogaert, PhD, Managing director and chief executive officer (CEO). Thierry Bogaert is a graduate from Ghent University and received an MSc degree from the University of Manitoba, Canada and a PhD from the Medical Research Council, Laboratory of Molecular Biology, Cambridge, United Kingdom. He held faculty positions at the Medical Research Council - Laboratory of Molecular in Cambridge and the Medical Faculty of the Ghent University. He was the founder of Devgen in 1997 and has led the company's science programs and business during that time period. He is actively involved with both the Crop Protection and Human Therapeutics business units, and is instrumental in forging key collaborations in both areas that support the company's goals and objectives.

- Sabine Drieghe, Human Resources Director, received an Msc in Agricultural and Chemical engineering at the University of Ghent. Prior to joining Devgen in 2001, she headed the laboratory of the Department of Crop Protection at the University of

Ghent.

- Stefan Frey, Chief Operation Officer, Head of Nematicide Business Unit, has obtained his MBA in 1979 in Germany. He joined Bayer Group as Operations Manager, and was subsequently appointed General Manager for several business groups of Bayer worldwide. In 1994, he became Area Director Crop Protection with FMC, where he was responsible for the introduction of new insecticide and herbicide business. Later he became Director of Global Herbicides, Business and Technology Affairs within FMC and was involved in the development of a global herbicide financial goal and strategy. Before joining Devgen, he held the position of Area Director Asia Pacific. He joined Devgen as per April 1<sup>st</sup> 2006.

- Wim Goemaere, chief financial officer (CFO). Wim Goemaere holds a degree in applied economics from the University of Leuven. He held since 1995 the position of CFO at VIB, which is a research institution employing over 1000 researchers. At VIB, his responsibilities included finance and control, tax management, corporate information technology and corporate legal issues. He started his career with BP Chemicals in Antwerp in 1987 as analyst and he held various other positions at BP until he was appointed controller at BP Belgium NV in 1993 until 1995.

- Rick Jones, Head of Business and COO Pharma, is Doctor of Medicine and obtained his MBA in 2000 in USA. He started as Department Head in Naval Hospital and Associate Section Head in Lahey Clinic. Afterwards he became Assistant Professor of Medicine in the University of Pennsylvania. He started gaining his industry experience in 1996 when he joined Ben Franklin Technology Center as a Member of the Medical and Biological Technical Advisory Committee. He held several positions in Wyeth Pharmaceuticals from 1997 till 2004. Prior to joining Devgen, his latest position was Vice President Business Development with Biorexis Pharmaceutical Corporation.

- Stephane Wilmes, General counsel, holds a law degree from the University of Ghent, Belgium and graduated from the Ecole Supérieure des Sciences Economiques et Commerciales (ESSEC), France. He is the former general counsel of Innogenetics NV where he gained over 5 years of experience in the biotech field. Prior to joining Innogenetics, he worked at Baker & McKenzie Brussels where his practice included mergers and acquisitions, commercial contract drafting and litigation. He joined Devgen in January 2006.

- Hilde Windels BVBA, represented by Hilde Windels, Executive director and Head of Human Therapeutics Division. Hilde Windels has a master in business economics from the University of Leuven. She has been with Devgen since the beginning of 1999 as CFO until December 31, 2007. Previously she was regionally responsible for corporate banking at BBL (now ING), where she headed a team of 20 people.

## 2.5. REMUNERATION OF DIRECTORS AND EXECUTIVE MANAGEMENT

### **2.5.1. Non-executive directors**

The remuneration package of the non-executive directors is subject to approval by

the General Shareholders' meeting.

According to the Belgian Code on Corporate Governance, the remuneration of non-executive directors should take into account their responsibilities and time commitment, and non-executive directors should not be entitled to performance-related remuneration such as bonuses, stock related long-term incentive schemes, fringe benefits or pension benefits.

Contrary to the Code, however, the Board of Directors believes that its non-executive directors should not be remunerated for their mandate, except to the extent that they are an independent director. The board has adopted following compensation package of the independent directors starting January 1st, 2007:

- The director receives an attendance fee of € 1,500 for his presence at the Board of Directors, Nomination and Remuneration Committee, Audit Committee and Strategy Committee. For the latter there is also an option to receive the fee in warrants. Expenses incurred to participate to above described committees are reimbursed with a lump sum of € 1,500 per mandate year. Other expenses will be reimbursed to the extent they relate to hotel expenses, international travel and/or conferences in business framework of Devgen. Approval is required from CEO.
- Participation in warrant plan: The Chairman receives 9,000 warrants per year. Other board members receive 3,000 warrants per year starting in June and ending in May of the following year. Warrants vest at end of a board mandate year.

The Board of Directors believes that the remuneration package is justified, as it corresponds with market practice and expectations for small, listed companies in the biotechnology field. In addition, it allows the company to offer an appropriate remuneration to attract and retain experienced independent directors from different economic sectors. Also, through warrants, the Board of Directors can remunerate its independent directors without using the company's cash resources, which is in the interest of a growth company such as Devgen. There is no agreement between the company and the non-executive directors that would entitle such directors to a compensation or indemnity triggered by termination of their mandate.

Devgen has not made any loans to the members of the Board of Directors.

### **2.5.2. Chief executive officer**

Thierry Bogaert BVBA has been appointed by the Board of Directors as chief executive officer and managing director of the company. The remuneration of Thierry Bogaert BVBA as managing director and CEO is determined by the Board of Directors upon recommendation of the nomination and remuneration committee.

The management contract can be terminated at any time subject to an indemnity in lieu of notice equal to 15 months of aggregate fixed remuneration.

Contrary to the Belgian Code on Corporate Governance, the compensation of the CEO is not disclosed on an individual basis. The Board of Directors believes that this deviation is justified as the compensation is in line with general market practices for equivalent positions and for reasons of privacy.

### **2.5.3. Other members of the executive management**

The remuneration of the other members of the management board is also determined by the Board of Directors upon recommendation from the nomination and remuneration committee.

The remuneration is designed to attract, retain and motivate executive managers who have the profile determined by the Board of Directors.

The level and structure of the remuneration are subject to an annual review by the nomination and remuneration committee to take into account market practice. The annual review does not provide mechanisms for automatic adjustments, except for changes that are legally required.

The remuneration of the members of the management board consists of the following elements:

- Each member of the executive management is entitled to a basic fixed remuneration designed to fit responsibilities, relevant experience and competences, in line with market rates for equivalent positions.
- The company pays a variable remuneration dependent on the executive management member meeting individual and/or team objectives.
- Each member of the executive management may be offered the possibility to participate in a stock-based incentive scheme, in accordance with the recommendations set by the nomination and remuneration committee, after recommendation by the CEO to such committee.
- Each member of the executive management is in addition entitled to a number of fringe benefits, consisting in most cases of participating in a defined contribution pension scheme, also providing survivors' pension and disability insurance, a company car, a mobile telephone, internet access and/or a laptop computer according to general company policy, and other collective benefits (such as hospitalization insurance, meal vouchers). For some expatriates, housing is provided at the company's expense.

The majority of the members of the executive management (excluding amongst others the CEO and the CFO) are engaged on the basis of an employment contract. The employment contracts are generally for an indefinite term, with a trial period. The employment contracts may be terminated at any time by the company, subject to a severance payment of minimum three months salary per commenced five years of seniority. The employment contracts include strict (derogatory) non-competition undertakings for 12 months with six months salary compensation, as well as confidentiality and IP transfer undertakings. Certain other members, whose services are retained on the basis of a service contract, are engaged on the basis of a service arrangement. The service contracts can be terminated at any time, subject to a six months notice period or compensation. No other extra-ordinary contractual payments are due upon termination of the contract by Devgen. Executive members whose services are retained on the basis of a services contract do not receive fringe benefits, except that they are provided with a mobile phone and laptop computer according to general company policy.

The following table provides an overview of the remuneration for the members of the executive management team.

TABLE 3: REMUNERATION EXECUTIVE MANAGEMENT

	2007	2006	2005	2004
Executive management				
Aggregate of payroll and non payroll	1,940 k	2,394 k	1,802 k	1,751 k

2.6. SHARES AND WARRANTS HELD BY DIRECTORS AND EXECUTIVE MANAGEMENT

**2.6.1. Shares and warrants held by directors**

The table below provides an overview of the shares and warrants held by the non-executive directors.

**2.6.2. Shares and warrants held by executive management**

The table below provides an overview of the shares and warrants held by the executive management (including the executive directors).

TABLE 4: SHARES AND WARRANTS HELD BY DIRECTORS ON 31.12.07

Name	# shares	Total number of warrants		
		Outstanding	Exercise price (€)	Vested
Pol Bamelis	/			
Jan Leemans	/			
Patrick Van Beneden	/			
Remi Vermeiren	6,500			
Alan Williamson	1,146			

TABLE 5: SHARES AND WARRANTS HELD BY EXECUTIVE MANAGEMENT ON 31.12.07

Name	# shares	Total number of warrants		
		Outstanding	Exercise price (€)	Vested
Thierry Bogaert BVBA	/	100,000	9.49	97,222
		5,256	11.67	5,256
		24,588	21.61	5,464
		200,016	20.73	61,116
Wim Goemaere	/	/	/	/
Hilde Windels BVBA	21,391	2,223	9.49	1,667
		4,932	21.61	1,096
Robert Ackerson	/	2,292	1.23	625
		25,000	9.49	24,305
Stefan Frey	/	20,016	14.00	9,452
Stephane Wilmes	/	5,000	11.54	834
		4,500	21.61	1,000
Sabine Drieghe	/	1,404	21.61	312

## 2.7. CONFLICTS OF INTEREST OF DIRECTORS

Article 523 of the Belgian Company Code provides for a special procedure within the Board of Directors in the event of a possible conflict of interest of one or more directors with one or more decisions or transactions by the Board of Directors. In the event of a conflict of interest, the director concerned has to inform his fellow directors of his conflict of interest before the Board of Directors deliberates and takes a decision in the matter concerned. Furthermore, the conflicted director cannot participate in the deliberation and voting by the board on the matter that gives rise to the potential conflict of interest.

The minutes of the meeting of the Board of Directors must contain the relevant statements by the conflicted director, and a description by the board of the conflicting interests and the nature of the decision or transaction concerned. The

minutes must also contain a justification by the board for the decision or transaction, and a description of the financial consequences thereof for the company.

The relevant minutes must be included in the (statutory) annual brochure of the Board of Directors. The conflicted director must also notify the statutory auditor of the conflict. The statutory auditor must describe in his annual (statutory) audit report the financial consequences of the decision or transaction that gave rise to the potential conflict.

Besides these minuted conflicts there are no other conflicts of interest or potential conflicts of interest known to the company on behalf of the Board of Directors.

Article 524bis of the Belgian Company Code provides for a similar procedure in the event of conflicts of interest of executive committee members. In the event of such conflict, only the Board of Directors will be authorized to take the decision that has lead to the conflict of interest. The company's executive management team does not qualify as an executive committee in the sense of article 524bis of the Belgian Company Code.

### 3. Transactions with affiliates

Article 524 of the Belgian Company Code provides for a special procedure that applies to intra-group or related party transactions with affiliates. The procedure applies to decisions or transactions between Devgen and related companies that are not a subsidiary of Devgen. It also applies to decisions or transactions between any of Devgen's subsidiaries and such related companies that are not a subsidiary of Devgen. There are no transactions known to the company that qualify as related party transactions in the case of Article 524 of the Belgian Company Code.