

Sandrine Hirsch & Sakine Yilmaz | April 2021

On 19 March 2021, UCM and UNIZO published a Code of Good Governance. The Code of Good Governance is presented as a corporate governance “toolkit” for entrepreneurs and SMEs to create awareness on the importance of sound corporate governance to be competitive, effective and resilient.

THE CODE OF GOOD GOVERNANCE

A NEW TOOLKIT FOR ENTREPRENEURS AND SMES

GENERAL PRINCIPLES

The Code of Good Governance (available [here](#) in French and [here](#) in Dutch) provides general principles and practical recommendations to help entrepreneurs and SMEs improving their corporate governance.

Contrarily to the 2020 Code on Corporate Governance applying to listed companies, but similarly to the Code Buisse III, the Code of Good Governance is not based on the general principle “comply or explain”.

CONTENT OF THE CODE OF GOOD GOVERNANCE

The Code of Good Governance remains largely inspired by the Code Buisse III (available [here](#) in French and [here](#) in Dutch).

The Code of Good Governance does not address the governance bodies in detail as it is mainly addressed to small organisations.

The Code of Good Governance insists on setting up an advisory board to assist the management in some important matters such as the strategy and the long-term vision. As its name suggests, the advisory board has no decision-making power and only issues non-binding opinions to the management. Regarding its composition, the Code of Good Governance recommends having the same number of internal and external members with complementary areas of expertise.

The Code of Good Governance also provides guidance on:

- **The definition of the mission, vision and strategy:** while the mission and the vision do not need to be re-evaluated on a periodic basis, the Code of Good Governance insists on the importance of evaluating the strategy periodically and updating it if necessary.
- **Sustainable entrepreneurship:** the Code of Good Governance highlights the importance of building long-term relationships with all its stakeholders (staff, suppliers, clients, competitors, banks and investors, public authorities, and professional associations). It advises identifying all relevant stakeholders and defining their respective interests and expectations to adopt the appropriate strategy and actions. The Code of Good Governance also points out the importance for companies to minimise their environmental footprint.
- **Risk management:** the Code of Good Governance gives some practical recommendations regarding risks identification, the definition of the risk management policy, the implementation of this policy and the risk management control. It also highlights the respective management responsibilities in relation thereof.

WHAT NOW?

Just as the Code Buyse III, the Code of Good Governance is a non-binding and flexible toolkit for non-listed companies, more particularly targeting single entrepreneurs and SMEs. The Code provides high level but still helpful guidance. The general recommendations that it gives obviously need to be tailored to take into account the size, the sector, the background and the specifics (e.g. structure of the shareholding) of each enterprise.

For any question or guidance, please contact:

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