

# Corporate Governance Statement

## GENERAL

This section describes the rules and principles that regulate the corporate governance of the Company pursuant to the Belgian law on the reinforcement of corporate governance in listed companies issued on 6 April 2010, the Belgian Code on Companies, the Belgian Corporate Governance Code 2009, the Company's articles of association and the Company's Corporate Governance Charter.

This section also presents the relevant corporate governance events that occurred during the past financial year.

Last financial year, the Board of Directors of the Company has adapted the Corporate Governance Charter to the Belgian Corporate Governance Code 2009. The Board will review the Corporate Governance Charter (the "Charter") regularly and will make changes if it deems necessary and appropriate. A copy of this Charter can be viewed on the Company's website ([www.deceuninck.com](http://www.deceuninck.com)) and is available, free of charge, at the registered office of the Company.

The Company's Corporate Governance Charter and this Corporate Governance Statement have been compiled in accordance with the regulations of:

- the Belgian Code on Companies
- the Belgian law on the reinforcement of corporate governance in listed companies issued on 6 April 2010 (the 'Law') and
- the recommendations set out in the Belgian Corporate Governance Code released on 12 March 2009 by the Belgian Corporate Governance Committee (the 'Code'). The Code is based on a "comply or explain" system: Belgian listed companies should follow the Code, but may deviate from its provisions and guidelines (though not from the principles), if the justification for such deviation is disclosed.

The Company's Board of Directors complies with the Code, but believes that the following deviations from its stipulations are justified given the Company's particular situation and the disclosed justifications.

## DEVIATIONS FROM THE CODE AND THE JUSTIFICATION THEREOF

### **Disclosure of the amount of the individual and detailed remuneration of the CEO and the remuneration and other benefits paid to individual Non-Executive Directors (article 7.10 of the Code and article 3§3.6° of the Law)**

The Board of Directors of the Company has decided to disclose the individual and detailed remuneration of the CEO in accordance with the Law when reporting in 2012 about the financial year 2011. The details of the remunerations of the individual Non-Executive Directors will also be disclosed as from financial year 2011 when reporting in 2012.

In this matter the Company deviates from the Code. The Company believes that the disclosure of individual amounts provides no added value to investors/shareholders. The Company fears this would rather have a reverse effect as this information could be used or abused by others. Such communication may also be detrimental to the interests of the people concerned. The disclosure of the total remuneration of the Directors and the members of the Executive Team sufficiently enables the shareholders to assess the impact of the remunerations on the position, the operations and the results of the Company. Due to these reasons, also the remuneration report of the Board of Directors does not contain all the information prescribed by the Code.

The Board of Directors of the Company thus decided to publish the amount of the remunerations for the past financial year also globally. Because the law requires the publication of the individual

remuneration as from financial year 2011, the Company will obviously comply with the legal stipulations in this regard as of next financial year.

#### **General Meetings and the shareholder's right to submit proposals (article 8.8 of the Code)**

Contrary to the Code's recommendations, the Charter does not require that shareholders holding shares representing at least 5% of the capital can submit proposals to the General Meeting. In accordance with the Belgian Code on Companies (article 532), shareholders who own more than 20% of the Company's shares are entitled to convene a General Meeting of Shareholders. Given the size of the Company, a smaller percentage is not appropriate.

### **THE BOARD OF DIRECTORS**

#### **General stipulations**

The Board of Directors determines the Group's strategic objectives and may perform all activities necessary or useful to achieve the Company's corporate objective, with the exception of those activities that are expressly reserved by law or by the Company's articles of association for decision by the General Meeting of Shareholders.

The members of the Board of Directors are appointed by the General Meeting of Shareholders. The proposal for the appointment of a director is accompanied by a recommendation of the Board of Directors, based on the advice of the Remuneration and Nomination Committee. If a mandate of a director becomes available, the remaining Directors have the opportunity to temporarily accommodate the vacant position. The Remuneration and Nomination Committee presents one or more candidates, considering the needs of Deceuninck and in compliance with the nomination and selection procedure established by the Board of Directors. In the formation of the Board of Directors an appropriate balance is taken into account on gender, skills, experience and knowledge.

The articles of association of the Company provide for a Board of Directors consisting of a minimum of 3 members. At least half of the members of the Board of Directors must be Non-Executive Directors and at least 3 Directors must be "Independent Directors" within the meaning given, among others, in article 526ter of the Belgian Code on Companies. The members are appointed by the General Shareholders' Meeting. Their initial term of office is for a maximum term of 4 years (based on the Company's Corporate Governance Charter), but can be renewed.

The age limit for Directors is set at 70 years at the time of the appointment. In principle, a Director's term ends at the closure of the Annual General Meeting, at which moment his or her mandate can be considered ended.

The Board of Directors meets at least 6 times a year or as often as considered necessary or desirable for the Board of Directors to function properly.

The meetings of the Board of Directors are convened by the Chairman of the Board or by at least 2 Directors whenever the interests of the Company so require.

To obtain an overview of the competences, tasks and functioning of the Board of Directors and the Committees of the Board refer to chapter 2 of the Charter.

#### **Independent Directors**

As mentioned in the Charter, Directors can only be considered as Independent Directors if they meet the criteria set out in article 526ter of the Belgian Code on Companies. An Independent Director who ceases to comply with the independence requirements must inform the Board of Directors thereof immediately.

The current Independent Directors of the Company are set out below.

### Composition of the Board of Directors

The Board of Directors has met 9 times during the past financial year. At the meetings of 10 and 11 May, Clement De Meersman was excused. At the meeting of 23 November Sophie Malarne-Lecloux was excused.

The Board of Directors and membership of the Committees in 2010:

			MANDATE EXPIRY	NUMBER OF ATTENDANCES
CHAIRMAN	PIERRE ALAIN DE SMEDT*	MEMBER OF THE AUDIT COMMITTEE AND OF THE REMUNERATION- AND NOMINATION COMMITTEE	2013	9
VICE-CHAIRMAN	ARNOLD DECEUNINCK**	MEMBER OF THE REMUNERATION AND NOMINATION COMMITTEE	2013	9
VICE-CHAIRMAN	FRANÇOIS GILLET**	MEMBER OF THE REMUNERATION AND NOMINATION COMMITTEE	2014	9
CEO	TOM DEBUSSCHERE PERMANENT REPRESENTATIVE OF TOM DEBUSSCHERE COMM V.		2013	9
DIRECTOR	SOPHIE MALARME-LECLOUX**		2014	8
DIRECTOR	MARCEL KLEPFISCH PERMANENT REPRESENTATIVE OF MARCEL KLEPFISCH SARL	MEMBER OF THE AUDIT COMMITTEE	2014	9
DIRECTOR	WILLY DECEUNINCK** PERMANENT REPRESENTATIVE OF T.R.D. COMM. VA	MEMBER OF THE AUDIT COMMITTEE	2011	9
DIRECTOR	CLEMENT DE MEERSMAN	MEMBER OF THE AUDIT COMMITTEE	2011	7
DIRECTOR	HERWIG BAMELIS* PERMANENT REPRESENTATIVE OF HBM CONSULT BVBA	CHAIRMAN OF THE REMUNERATION AND NOMINATION COMMITTEE	2011	9
DIRECTOR	GERHARD ROOZE*	CHAIRMAN OF THE AUDIT COMMITTEE	2011	9

\* Independent Director

\*\* Representative of significant shareholder

### SECRETARY

Ann Bataillie, General Counsel

### Statutory appointments

At the General Meeting of 10 May 2011, the mandate of following directors expires:

- HBM Consult BVBA with permanent representative Herwig Bamelis
- Clement De Meersman
- Gerhard Rooze
- T.R.D. Comm. VA with permanent representative Willy Deceuninck

Arnold Deceuninck offered his resignation as a Non Independent Director as of the 2011 Annual General Meeting.

Based on the recommendations of the Remuneration and Nomination Committee it will be proposed at the Annual General Meeting of 2011 to renew the mandate of T.R.D. Comm. VA with permanent representative Willy Deceuninck for a period of 4 years and to appoint R.A.M. Comm. VA with permanent representative Arnold Deceuninck also for a period of 4 years. The mandate will expire with the closure of the 2015 Annual General Meeting. After the General Meeting of 2011 it will be proposed to grant the mandate of Vice-Chairman to R.A.M. Comm. VA, with permanent representative Arnold Deceuninck.

At the Annual General Meeting of 2011 it will be proposed to register Marcel Klepfisch SARL with permanent representative Marcel Klepfisch as an Independent Director. Marcel Klepfisch SARL complies with the criteria of independence defined in the Corporate Governance Charter and article 526ter of the Code on Companies. If the Annual General Meeting of 2011 concludes that Marcel Klepfisch SARL indeed complies with the criteria of independence, he will be registered as an Independent Director for the remaining term of his mandate, being a period of almost 3 years ending at the Annual General Meeting of 2014.

Based on the recommendations of the Remuneration and Nomination Committee, the Board of Directors will propose to the Annual General Meeting of 2011 to appoint Paul Thiers as Independent Director as defined in the Corporate Governance Charter and article 526ter of the Code on Companies. Mr Thiers has confirmed to comply with the criteria of the Charter and of the said article 526ter. His mandate will expire with the closure of the 2015 Annual General Meeting.

Subject to approval by the General Meeting of Shareholders on 10 May 2011, the Board of Directors will be composed as follows:

			MANDATE EXPIRY
CHAIRMAN	PIERRE ALAIN DE SMEDT*	CHAIRMAN OF THE REMUNERATION AND NOMINATION COMMITTEE	2013
VICE-CHAIRMAN	ARNOLD DECEUNINCK** PERMANENT REPRESENTATIVE OF R.A.M. COMM. VA	MEMBER OF THE REMUNERATION AND NOMINATION COMMITTEE	2015
VICE-CHAIRMAN	FRANÇOIS GILLET**	MEMBER OF THE AUDIT COMMITTEE AND MEMBER OF THE REMUNERATION AND NOMINATION COMMITTEE	2014
CEO	TOM DEBUSSCHERE PERMANENT REPRESENTATIVE OF TOM DEBUSSCHERE COMM V.		2013
DIRECTOR	WILLY DECEUNINCK** PERMANENT REPRESENTATIVE OF T.R.D. COMM. VA		2015
DIRECTOR	PAUL THIERS*	MEMBER OF THE AUDIT COMMITTEE AND MEMBER OF THE REMUNERATION AND NOMINATION COMMITTEE	2015
DIRECTOR	SOPHIE MALARME-LECLOUX**		2014
DIRECTOR	MARCEL KLEPFISCH* PERMANENT REPRESENTATIVE OF MARCEL KLEPFISCH SARL	CHAIRMAN OF THE AUDIT COMMITTEE AND MEMBER OF THE REMUNERATION AND NOMINATION COMMITTEE	2014

\* Independent Director

\*\* Representative of significant shareholder

The curricula vitae of the members of the Board of Directors:

***Pierre Alain De Smedt (1944), Chairman of the Board of Directors***

Pierre Alain De Smedt obtained a Master in Business and Administration at the Solvay Business School (ULB), a Commercial Engineer Diploma and a Master in Economic and Financial Sciences at the ULB.

Pierre Alain De Smedt is currently the Chairman of VBO/FEB, Director of Belgacom NV, Avis Europe Plc and Alcopa NV. As Non-Executive Director, he is member of various Strategic, Audit, Remuneration- and Nomination Committees.

***Tom Debusschere Comm. V – Tom Debusschere (1967), CEO***

Tom Debusschere is Civil Engineer in Electro-Mechanics with an additional postgraduate degree in 'Industrial Engineering'. He started his career in 1992 as Logistics Manager at Deceuninck. Starting in 1995, he worked for 9 years at the American division, Dayton Technologies, where he became Vice President Operations. In 2004, he moved to the Belgian Unilin Group as head of the division Unilin Decor, a supplier of furniture components with a turnover of 100 million euro. He was appointed VP Marketing & Sales of Deceuninck on 1 December 2008. He was appointed CEO of Deceuninck by the Board of Directors on 6 February 2009.

***R.A.M. Comm. VA – Arnold Deceuninck (1950), Vice-Chairman***

Arnold Deceuninck obtained a Bachelor in Accounting and Business Management.

Arnold Deceuninck, the permanent representative of R.A.M. Comm. VA, is currently Director of R.A.M. Comm. VA, a Non-Executive Director of Didak Injection NV, Deceuninck Auto's NV, Edero BVBA and of Hunter & Colman NV.

***François Gillet (1960), Vice-Chairman***

François Gillet obtained a Master in Business and Administration at the Leuven Management School (IAG). François Gillet is currently member of the Executive Committee and is Chief Investment Officer of Sofina NV, a financial holding company. As representative of Sofina NV, Mr François Gillet also holds functions as Non-Executive Director in various participations of Sofina NV and in Emakina Group NV.

***T.R.D. Comm. VA – Willy Deceuninck (1944)***

Willy Deceuninck obtained a diploma in Economics from the middle school, the Franciscus Exaverius Instituut in Bruges.

Willy Deceuninck, the permanent representative of T.R.D. Comm. VA, is currently Director of T.R.D. Comm. VA, Deceuninck Auto's NV, De Palingbeek CV, Holim NV, Hoedec NV, Heating Service NV, Binder NV, CBS Invest NV and D-Hotel NV and is manager of Edero BVBA.

***Sophie Malarme-Lecloux (1970)***

Sophie Malarme-Lecloux obtained a Master in Business and Administration at the Solvay Business School (ULB) in 1994. Sophie Malarme-Lecloux currently holds the function of Senior Investment Manager of Sofina NV, a financial holding company. Mrs. Sophie Malarme-Lecloux, as representative of Sofina NV, performs functions such as Non-Executive Director in participations of Sofina NV.

***Clement De Meersman (1951)***

Clement De Meersman (former CEO of Deceuninck) graduated as a Civil Engineer in Electro-Mechanics from the Belgian Catholic University of Leuven and completed his studies with a Doctorate in Applied Sciences. Mr Clement De Meersman is currently Director of Elia Asset NV, Elia System Operator NV, Koramic Industries NV, ANL NV, Smartroof NV and Plasticvision V.Z.W..

***Gerhard Rooze (1955)***

Gerhard Rooze holds a Diploma of Commercial Engineer from the Vrije Universiteit Brussels (Solvay Business School). In addition to his University Degree, he participated to the program of the Centre Interuniversitaire d'analyse Financière (1986) and attended various Fiscal and Legal training cycles in different specialized business schools, universities and professional organisations.

Gerhard Rooze is currently Director of Degroof Corporate Finance NV and Degroof Structured Finance NV. Mr Gerhard Rooze is also Non-Executive Director in several related associations and companies of Bank Degroof.

***HBM Consult BVBA – Herwig Bamelis (1938)***

Herwig Bamelis holds a Master in Applied Economics from the Universitaire Faculteiten, St-Ignatius, Antwerp ("UFSIA").

***Marcel Klepfisch SARL – Marcel Klepfisch (1951)***

Marcel Klepfisch obtained a Diploma Commercial Engineer from the University of Antwerp. He has extensive experience in crisis management and was Chief Restructuring Officer at Deceuninck NV in 2009. He was Chief Executive Officer at Ilford Imaging, member of the Executive Committee at Vickers Plc and Chief Financial Officer of BTR Power Drives. He is currently a member of the Board of Directors of Nybron Flooring International in Switzerland, member of the Audit Committee and of the Strategic Committee. He is also member of the Management Advisory Board of Tower Brook in London and Chairman of the Board of Directors of Pack2Pack.

***Paul Thiers (1957)***

Paul Thiers is an alumnus of the Catholic University of Leuven, where he holds degrees in Master of Law (1980) and in Master in Notaryship (1981), as well as the Vlerick Management school, where he participated to PUB in 1982–1983. From 1982 till 2005 he was co-CEO and member of the Board of Directors of the Unilin Group. He is member of the Board of Directors of Pentahold NV, Altior CVBA, Accent NV, Vergokan and Origis NV.

All Independent Directors comply with the criteria defined in the Corporate Governance Charter and in article 526ter of the Belgian Code on Companies.

**Performance evaluation of the Board of Directors and the Committees**

Early in 2010, by way of an initiative of the Chairman, the Board of Directors and the Committees were evaluated. The evaluation process was performed by way of written questionnaires. The questionnaire covered 6 topics:

1. Composition of the Board of Directors
2. Meetings of the Board of Directors
3. Functioning of the Board of Directors
4. Communication and knowledge
5. Functioning of the Committees
6. Secretary

Every topic included a questionnaire. Each Director marked a score for every question. The answers were incorporated in a report. The same procedure was done for the Audit Committee and for the Remuneration and Nomination Committee.

The results of the report were discussed during the meeting of the Board of Directors and were globally considered positive. Based on the discussed evaluations, further actions were determined.

**Committees of the Board**

The Board of Directors currently has an Audit Committee and a Remuneration and Nomination Committee. The role of these Committees is purely advisory. The competence for ultimate decision making is with the Board of Directors. The role, duties and composition of these Committees have been established in the Company's articles of association and in the Charter.

**Audit Committee**

All members of the Audit Committee are Non-Executive Directors. Three members of the Audit Committee are independent as defined in article 526ter of the Belgian Code on Companies.

The Audit Committee is the most important link between the Board of Directors and the internal and statutory auditors.

The Audit Committee makes recommendations to the Board of Directors relating to the selection, appointment and reappointment of the statutory auditor and the terms of his or her appointment.

During financial year 2010 the Audit Committee was composed as follows: Gerhard Rooze, Pierre Alain De Smedt, Willy Deceuninck, Clement De Meersman and Marcel Klepfisch SARL. As from the Annual Meeting of 2011, the Audit Committee will be composed as follows: Marcel Klepfisch SARL with

permanent representative Marcel Klepfisch, François Gillet and Paul Thiers. After the Annual General Meeting of 2011, it will be proposed to grant the mandate of Chairman to Marcel Klepfisch, permanent representative of Marcel Klepfisch SARL.

The Audit Committee met 5 times during 2010. All members were present at all the meetings. In 2010, the Audit Committee has assisted the Board of Directors in the execution of its responsibilities in the broadest sense and has among others executed the following tasks:

- Monitoring of audit activities, along with the systematic verification of engagements presented by the auditor;
- assessing the reliability of financial information;
- supervising the internal audit system; and
- controlling of the accounts and the budget.

The Committee has assessed the internal control systems and the risk management, established by the Executive Team as proposed by the risk manager. The Committee ascertains that the most important risks (including the risks relating to compliance with existing legislation and regulations) are correctly identified and managed and ensures that the Company's Board of Directors has been informed on these matters.

The Committee has made recommendations regarding the reappointment of the statutory auditor and the terms of his or her appointment.

During the Annual General Meeting of 2011 it will be proposed to renew the mandate of Ernst & Young Bedrijfsrevisoren bcvba for a period of three years, whereby the representative Mr. Van Hoecke will be replaced by Jan De Luyck.

#### Remuneration- and Nomination Committee

During financial year 2010 the Remuneration and Nomination Committee was composed as follows: HBM Consult BVBA, with permanent representative Herwig Bamelis, Pierre Alain De Smedt, François Gillet and Arnold Deceuninck. Herwig Bamelis, permanent representative of HBM Consult BVBA has acted as Chairman.

After the Annual General Meeting of 2011, it will be proposed to grant the mandate of Chairman to the Chairman of the Board of Directors, Pierre Alain De Smedt. Based on the recommendations of the Remuneration and Nomination Committee, the Board of Directors has decided on 7 September 2010 to appoint Marcel Klepfisch SARL with permanent representative Marcel Klepfisch as member of the Remuneration and Nomination Committee.

Based on the recommendations of the Remuneration and Nomination Committee, the Board of Directors has decided on 22 February 2011 to appoint Paul Thiers as member of the Remuneration and Nomination Committee on condition of his appointment as Director at the General Meeting of 10 May 2011.

The CEO participates in the meetings of the Remuneration and Nomination Committee when the meeting deals with the remuneration of the other members of the Executive Team.

The Committee met 5 times during 2010. All members were present at all the meetings.

During the past financial year, the Committee, in consultation with the management, continued to develop the incentive policy and the performance and development policy as well as the guidelines for the implementation of these policies.

The purpose of the incentive policy of the Company is to ensure the success of the Company. For this reason, the contribution to the development of the activities and the results of the Group form a significant part of the remuneration policy. It is also in the interest of the shareholders that the staff members achieve their individual goals.

The Remuneration and Nomination Committee benchmarks the market competitiveness of remuneration regularly.

### *The Executive Team*

The Executive Team is not an Executive Committee in the sense of article 524bis of the Belgian Code on Companies.

The task of the Executive Team is to assist the CEO in the daily management of the Group and carry out other responsibilities in accordance with the values, strategies, policies, plans and budgets established by the Board of Directors. The Executive Team meets as often as necessary for the proper execution of its function, but always at least once every two weeks. Meetings are generally convened by the CEO, although any member may convene this Team. The Chairman of the Board of Directors may attend any meeting of the Executive Team. A report is sent to the Chairman of the Board of Directors after each meeting.

The Executive Team currently consists of the following persons:

- Tom Debusschere Comm. V, CEO, Chairman of the Executive Team
- Ann Bataillie, General Counsel, Secretary of the Board of Directors
- Stephan Coester, Director Marketing & General Manager Germany
- Bruno Deboutte, Director Central & Eastern Europe
- Philippe Maeckelberghe, CFO
- Michael Stöger, Director Technology
- Lieven Vandendriessche, Director Operations
- Bernard Vanderper, Director Northwest Europe, General Manager Benelux and United Kingdom
- Paul Van Wambeke, Director Southwest Europe & General Manager France

### *Tom Debusschere Comm. V – Tom Debusschere (1967)*

Tom Debusschere obtained the Diploma Civil Engineer in Electro-Mechanics at the University of Gent (1990), as well as an additional postgraduate degree in 'Industrial Engineering' (Vlerick Management School Gent – 1992).

### *Ann Bataillie (1959)*

Ann Bataillie obtained a Master of Law at the University of Leuven (1981) and completed her education with a Master in European Law at the University of Nancy, France (1982).

### *Philippe Maeckelberghe (1960)*

Philippe Maeckelberghe obtained a Master in Applied Economic Sciences at the University of Antwerp (1982), a Master of Business Administration at the Catholic University of Leuven (1983) and a Master in Controllershship – Chartered Controller BIMAC at the Vlerick Leuven–Gent Management School (1999).

### *Lieven Vandendriessche (1966)*

Lieven Vandendriessche obtained a Master in Financial and Commercial Sciences at the Erasmus University Brussels (1993).

### *Stephan Coester (1965)*

Stephan Coester obtained the Diploma Economics at the University Applied Sciences of Düsseldorf Germany, of which one year was spent at the University of Tuscaloosa, USA (1989).

### *Bruno Deboutte (1965)*

Bruno Deboutte obtained a Master Industrial Engineer Electricity, Speciality automation, at KIRO in Gent (1990).

### *Michael Stöger (1963)*

Michael Stöger obtained the Diploma Electrical Engineering (1989) and a Doctorate in Processing of synthetic materials in Aachen, Germany (1993).

### *Bernard Vanderper (1962)*

Bernard Vanderper obtained a Master Applied Economic Sciences at the University of Antwerp (1984).

### *Paul Van Wambeke (1947)*

Paul Van Wambeke obtained a Master of Law at the University of Gent, as well as a Master Business Administration at the French Institute of Management (1997).

## **Remuneration report**

### *Remuneration policy and specification of the remuneration level for Non-Executive Directors*

Non-Executive Directors receive a fixed amount as remuneration for the execution of their mandate and a fixed amount for each Board meeting attended, limited to a maximum amount. Performance based remuneration such as bonuses, share-related incentive programs and fringe benefits are excluded. The amount of the remuneration for the Chairman, the Vice-Chairman and other Non-Executive Directors varies.

If the Non-Executive Directors are also members of a Committee, their remuneration will be increased by a fixed amount per meeting of the particular Committee. The Company and its subsidiaries do not provide any personal loans, guarantees and such to the members of the Board of Directors or the Executive Team.

If Directors are charged with special tasks or projects, they are entitled to receive an appropriate remuneration for those activities.

The remuneration of the Directors is approved by the General Meeting of Shareholders. No termination compensation is provided for Non-Executive Directors.

### *Remuneration of the Board of Directors in 2010*

The total remuneration paid to the members of the Board of Directors in the financial year 2010 amounted to 720,000 euro. This amount includes additional remuneration granted to Directors for their membership at Committees. This remuneration is awarded by the General Shareholders' Meeting and is registered as a general cost.

During 2010, the Company or any affiliated Company of the Group did not grant any loans to any of the Directors, nor are there any outstanding repayments owed by the Directors to the Company or any affiliated Company of the Group.

### *Remuneration policy and specification of the remuneration level for the CEO and the members of the Executive Team*

The remuneration policy aims to attract, maintain and motivate competent and professional employees. For this reason, the amount of the remuneration is determined in function of the individual tasks and responsibilities. The Remuneration and Nomination Committee assesses annually the total remuneration paid to the Executive Team members.

The contribution made by the members of the Executive Team to the development of the activities and the results of the Group are an important part of the remuneration policy.

In order to align the interests of the members of the Executive Team with the interests of the Company and its shareholders, a part of the remuneration is linked to the results of the Company and another part to individual performance.

The results of the Company are based on the net result and the EBITDA of the past financial year. These criteria, as proposed by the Remuneration and Nomination Committee, are evaluated by the Board of Directors annually and adapted when necessary.

The individual performance is based on a clearly defined evaluation system based on the achievement of specific measurable objectives, the realisation of important key figures and the respect for core values which are important to the Company.

All goals should be in line with the group strategy, the business plan, the key values and the guidelines. The individual goals are determined annually during individual appraisals at the beginning of the financial year.

The potential contributions for pensions and insurances are linked to the fixed remuneration.

For the CEO and the other members of the Executive Team, it will be proposed at the Annual General Meeting of 2011 to deviate from the above mentioned stipulation of article 520ter paragraph 2 of the Belgian Code of Companies and not spread the payment of the variable remuneration over time.

The members of the Executive Team also have a company car at their disposal and they are covered by a Group insurance plan.

As remuneration for his services as CEO and Chairman of the Executive Team, the CEO receives:

- a fixed remuneration,
- a variable remuneration or bonus according to the criteria mentioned above, and,
- a contribution towards insurances and pension, certain fringe benefits and share options and warrants.

#### Remuneration of members of the Executive Team in 2010

Members of the Executive Team (as constituted on 31 December 2010) received a remuneration of 2,004,465 euro, including a variable remuneration of 8.73 % based on performance criteria 2009. This variable remuneration was paid at the beginning of 2010.

The retirement allowance amounted to 145,841 euro and consists of an approved contribution procedure to an external insurance Company.

Options and/or warrants on shares of the Company are also granted to the members of the Executive Team. This option and warrant arrangement is not based on the performances of the Company. The Extraordinary General Meeting held in October 2006 approved an option plan for existing shares whereby the Board of Directors is given the authority to annually grant 75,000 options on existing shares. The Extraordinary General Meeting held on 31 December 2009 has approved an additional warrant plan 2010 for the issuance of 1,000,000 warrants (warrant plan 2010) of which 959,935 warrants are granted.

#### Stipulations of the warrant plans

The warrants and options are offered free and are not linked to the performances of the Company. They can only be exercised from the third calendar year following the offering of these options or warrants.

The warrants can be exercised as follows:

- 1/3 released to be exercised after 3 full calendar years to the end of the exercise period;
- 1/3 released to be exercised after 4 years to the end of the exercise period;
- 1/3 released to be exercised after 5 years to the end of the exercise period;

The warrants are granted according to the provisions identified in the law of 26 March 1999 concerning the Belgian action plan for job opportunities 1998.

The exercise of warrants could result in the subscription of new shares in the event of a capital increase unless the Board of Directors decides to distribute shares that were purchased by the Company.

During 2010, 400,000 options and warrants on shares were granted to the members of the Executive Team and were divided as follows:

200,000 options and warrants on shares to the CEO and 25,000 to each other member of the Executive Team.

The share options and the warrants offered in 2010 have an exercise price of 1.70 euro. No share options and warrants were exercised in 2010.

### ***Severance Pay***

The severance pay conditions for the CEO, Michael Stöger and Stephan Coester amounts to 12 months of base salary.

For the other members of the Executive Team, no special severance pay conditions have been agreed. In the case of any potential severance, the remuneration will be determined based on applicable current employment laws and practice.

In the case that severance pay amounts to more than 12 months of the fixed and variable remuneration, the allotment of this remuneration should be presented for approval to the General Meeting.

### ***Audit***

The statutory auditor is appointed for a period of 3 years at the General Shareholders' Meeting held on 13 May 2008. His annual fee amounts to 560.000 euro for the whole Group, including audit services for the consolidated and statutory audits.

The mandate of the statutory auditor expires at the next General Meeting. At this meeting, the renewal of the mandate of the statutory auditor for a period of 3 years will be proposed. It will also be proposed to fix the annual fee to 555.000 euro for the whole Group, including audit services for the consolidated and statutory audits.

### **Transactions between related parties**

#### **General**

Each Director and each member of the Executive Team is encouraged to arrange their personal and business interests so that there is no direct or indirect conflict of interest with the Company. Deceuninck has no knowledge of any potential conflict of interest affecting the members of the Board of Directors and the Executive Team between any of their duties to the Company and their private and/or other duties. The Company's Corporate Governance Charter provides that every transaction between the Company (or any of its subsidiaries) with any Director or executive manager must be approved in advance by the Board of Directors, whether or not such a transaction is subject to applicable legal rules. Such a transaction can only take place based on terms in accordance with market practices.

#### **Directors conflicts of interest**

In accordance with article 523 of the Belgian Code on Companies, the Board should respect a special procedure in case one or more Directors potentially have a conflict of interest with one or more decisions or transactions that are within the authority of the Board of Directors. One case of conflict of interest in the sense of article 523 of the Belgian Code on Companies was communicated to the Board of Directors during 2010.

The conflict of interest concerned the offer of share options and warrants to senior management and the CEO. The CEO informed the Board of Directors about a potential conflict of interest. In accordance with the provisions of article 523 of the Belgian Code on Companies and taking into account that the Company is a public Company listed on the stock exchange, the Director involved was asked to leave the meeting during the discussion of this point. As a consequence, the Director involved did not participate in the deliberations or in the vote on the issue.

#### **Transactions with affiliated companies**

The conflict of interest settlement of article 524 of the Belgian Code on Companies was not applied in 2010.

#### **AUTHORIZATION PURCHASE TREASURY SHARES**

At the Extraordinary Annual Meeting of 31 December 2009, it was decided to grant the Board of Directors the authority for a period of 5 years to acquire treasury shares by purchase or exchange up to the maximum permitted number of shares and for a price between 0.40 and 6.00 euro per share. This action can be taken without authorization of the General Meeting and in accordance to article 620 and following of the Code on Companies.

At the same Meeting, it was decided to authorize the Board of Directors, without limitation in time, to sell these treasury shares, either directly or by intervention of a person who acts in his own name but at the expense of the Company, either (i) at a minimum price of 0.40 euro, which is the minimum price fixed in the authorization for purchase of treasury shares, or (ii) when the sale happens in the context of a Share option plan. In this last case, the Board of Directors is authorized to sell the shares, with the consent of the beneficiaries of the share option plans, outside of the stock exchange market.

During the financial year 2010, no treasury shares were purchased.

At the Extraordinary Annual Meeting of 31 December 2009, it was decided to grant the Board of Directors the authority for a period of 3 years to acquire or sell treasury shares, profit-sharing bonds or certificates which relate to these bonds, according to article 620 till 625 and 630 of the Code on Companies, when the acquisition or alienation is necessary to avoid threatening serious damages for the Company.

#### **AUTHORIZED CAPITAL**

At the Extraordinary Annual Meeting of 31 December 2009, it was decided to grant the Board of Directors the authority, for a period of five years starting from 25 January 2010, to increase issued capital on one or several occasions to a maximum amount of 42,495,000.00 euro by a cash contribution, a contribution in kind according to legal limits or by incorporation of the reserves or share premiums, with or without the issuance of new shares. In case of a capital increase in cash, the Board of Directors is authorized, with unanimous votes, to limit or cancel the preferential rights. The extraordinary circumstances in which the authorized capital can be used and the anticipated goals are stated in the extraordinary report of 27 October 2009. This report can be viewed on [www.deceuninck.com](http://www.deceuninck.com).

#### **MODIFICATION OF THE ARTICLES OF ASSOCIATION**

The modification of the articles of association will be executed in accordance to the stipulations of the Belgian Code on Companies.

#### **SHAREHOLDERS STRUCTURE**

Every shareholder holding a minimum of 5% of the voting rights needs to comply with the law of 2 May 2007 in respect of the notification of significant investments, the Royal Decree of 14 February 2008 and the Belgian Code on Companies.

The legal thresholds are applicable by increments of 5%. The involved parties need to submit a notification to the Banking, Finance and Insurance Commission and to the Company.

## BREAKDOWN OF SHAREHOLDERS

In application of the Law of 2 May 2007, the latest report of participations that has been received shows the following breakdown of shareholders:

Desco*	18,856,250 shares	17.50%
Sofina NV*	18,856,250 shares	17.50%
Fidec NV	5,793,990 shares	5.38%
Other (Institutional investors, personnel, stock exchange, ...)	64,243,510 shares	59.62%

\* According to the Company transparency disclosure dd. 29/10/08

In a letter dated 21 September 2007, Sofina and Desco notified the Company that they had terminated their shareholder agreement of 27 June 2006, and that a new agreement with regard to their participation in Deceuninck NV had been concluded on 27 of August 2007. This agreement constitutes "mutual consultation" in the sense of Art. 7 of the Royal Decree of 10 May 1989, concerning the disclosure of important participations in companies listed on the stock exchange, but does not constitute "mutual consultation" in the sense of Art. 3, §1, 5°, of the Law of 1 April 2007, concerning public takeover offers.

## INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS

The most important features of the internal control and risk management systems, with regard to financial reporting, implemented by management, can be summarised as follows:

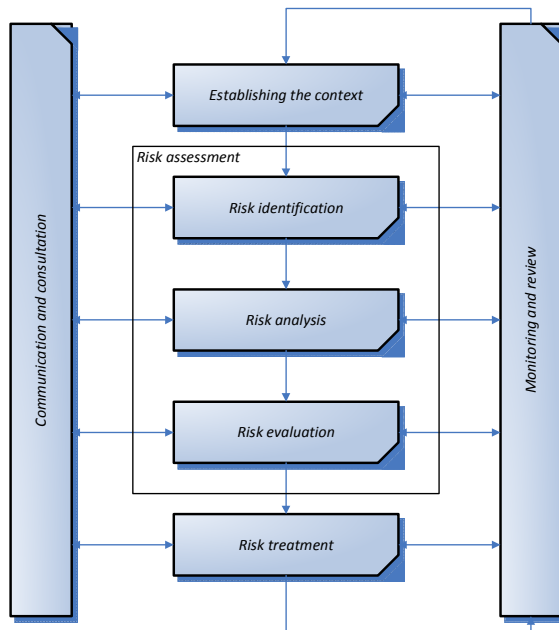
- Distribution and update of an accounting manual and, if required, working out some further specific elements;
- Defining targets for permanent follow-up on the activities, the operational results, the use of working capital and the financial position of the Group and the individual legal entities;
- Permanent monitoring of key historical and forecasting targets;
- Following up on exchange rate risks with actions to manage the risks;
- Defining the company's policies and procedures for compliance with applicable laws and regulations;
- Clear procedures on signing authority, reviewed for compliance by the internal audit department;
- Managing information systems;
- Discussion of internal audit reports and, if required, further consultation with the internal auditor for additional information and clarification. Implementation and monitoring of internal audit recommendations;
- Permanent monitoring of the raw material prices and any changes to it;
- Request of formal representations from the local general managers to ensure that they comply with the applicable laws and regulations and internal procedures of the Company;
- Monitoring and discussion on a regular basis with the legal department of litigations that could have a material impact on the Company as a whole.

Candor, Top Performance and Entrepreneurship are the 3 key values of Deceuninck. Controlled risks are part of this Entrepreneurship. The risk management policies aim to identify and manage these risks. In a first phase during 2010, the risk of the Belgian legal entities have been identified and reviewed. In 2011, this risk management policy will be further refined and rolled out in all foreign legal entities of the Group.

### Risk framework

The ISO 31000 standard has been selected as framework for the risk management policy. Deceuninck is already very familiar with ISO standards (ISO 9001, ISO 14000,...). This new standard issued in

November 2009, predominantly describes the process for implementation. The following steps can be distinguished within this process:



- Establishing the context
 

In order to detect the risks, a clear view of the context in which Deceuninck is operating is required. On the one hand there is the external context in which social, cultural, political, legal, legislative, financial, technological, economical, natural and competitive environment have an important role. Additionally, the main drivers and trends that could impact the achievement of the targets need to be reviewed. Finally, the relationship with external stakeholders (Customers, suppliers, authorities, shareholders...) has an important role. On the other hand there is the internal context in which the objectives of Deceuninck as Group, but also the objectives of each individual entity, need to be defined. This requires a good understanding of resources, knowledge, company culture, organization, internal standards, strategy, values, objectives and finally of relationships with the internal stakeholders.
- Risk identification
 

Risk identification is the first step within risk assessment. In separate brainstorming sessions with ten Belgian departments the risks were identified that might have an impact on the achievement of targets. These risks were summarised in risk matrixes.
- Risk analysis
 

Risk analysis is the process that seeks to identify the possibility that the risk will occur and what the possible impact will be in achieving the objectives i.e. people, planet, quality, service and cost.
- Risk evaluation
 

Risks are ranked based on the probability that they will occur and the impact they will have. From this analysis, risks are assessed as to whether they can be tolerated or require action to reduce the impact to an acceptable level.
- Risk treatment
 

For those risks that require action to reduce the impact to an acceptable level 4 possibilities exist:

  - Completely avoid the risk by changing or stopping the activity;
  - Transfer the risk by insurance or third party contract;
  - Accept the risk without further action;
  - Take action by reducing the probability (prevention) or by lowering the impact (protection).

The risk process is continuous in that the different phases have to be continuously reviewed and monitored on an ongoing basis. Every manager of each department has the responsibility to maintain this process. The risk manager will fulfill a supporting, facilitating and consolidating role. The risk manager reports to both the CFO and the Audit Committee. The internal audit department will focus in the future on risk management (RBIA: risk based internal audit).

### Risk structure

The risks Deceuninck is facing, can be divided in eight categories:

- Strategic risks: macro-economic and financial circumstances, image of the company, political developments, image of PVC, legislative evolutions;
- Financial risks: exchange rate risk, liquidity risk, credit risk, interest risk;
- Operational risks: going concern risks, supply and price of raw materials, incidents, quality risks, IT-infrastructure, volume, seasonality, energy;
- Employment risks: the retention of employees, the search for employees, safety of people, motivation, work-life balance;
- Technological risks: introduction of new technologies, search for new technologies, available resources and knowledge;
- Market risks: evolution of building activity, government grants, insulation requirements, market demand, trends, competition, quality requirements, standards, distribution channels, Customer expectations, branding, communication, media;
- Environmental risks: pollution, recycling, environmental standards, communication concerning PVC, sustainability;
- Legal and regulatory risks: such as product liability, intellectual property, warranty, legislation, contract management.



The most relevant risks are highlighted below:

### Financial risks

The exchange rate risks, interest risks, credit risks and liquidity risks are further discussed in this report under Note 23.

### Market risks

The activities, operational results and the financial position of Deceuninck are influenced by the level of activity in the residential construction sector. This activity is strongly dependent on the general economic circumstances but also on governmental stimuli to encourage the economic activity and in particular the residential construction activity. The termination of such stimuli can have a significant impact on the sales of Deceuninck.

Deceuninck is active in both the new build market and the renovation market which results in a more spread risk. In a period of a weaker and slow down construction climate, we generally notice a movement from new build to renovation.

A large part of the activities of Deceuninck is seasonal, which can have a significant impact on working

capital needs and cashflow. The demand for the products of Deceuninck, and therefore the working capital needs, are highest during the second and third quarter. The demands are at their lowest level during the first quarter and in the fourth quarter, as the winter period is less favorable for residential construction. Longer winter periods may negatively impact the demand, specifically during the first quarter and in particular in Eastern Europe, having longer winter periods. Due to the wide geographical spread of the markets where Deceuninck is active, this risk is partially spread.

Deceuninck has actively expanded its sales and activities, also in emerging markets, exposing the company to additional risks. Deceuninck is active in over 75 countries. Although the geographical spread is regarded as an asset, the financial results of the different entities can vary significantly, which can have an impact on the consolidated results of Deceuninck. Changes in the investment climate or shifts in the prevailing political environment could lead to the introduction of stringent government regulations, for example impact on price regulations, export and import, income taxes and other taxes, environmental laws, restrictions on foreign ownership, exchange rates and currency control, labour and social security policies.

#### Operational risks

The profitability of Deceuninck is partially determined by changes in raw material prices, especially PVC-resins and additives, and by the sales prices Deceuninck can ask for its products and services. There is always a delay between changes in raw material prices and the changes in the sales prices of the products. This timing difference is a characteristic of the construction profile market in general and not specific for Deceuninck. Price increases cannot always be implemented given the competition in the market and the competition with alternative materials such as aluminium and wood products. The sales prices for large Customers are more and more linked to a PVC-index. There is a clear trend of increasing raw material prices which also leads to continuous modification of sales prices. Through new reporting systems, the margins are closely monitored.

Deceuninck needs to assure a continuous supply to its Customers. With the exception of coloured profiles, most profiles are immediately deliverable from stock. In order to be able to guarantee this continuity, it is necessary that Deceuninck has no interruptions in its supply chain. External suppliers have an important role here, but also the internal suppliers (compound, tools, gaskets,...) have to be considered as a potential risk factor. These risks have been identified and are managed. Particular attention is given to business continuity in the case of supply chain problems.

The different business processes within Deceuninck are highly dependent on the availability of systems. To protect IT resource availability, a number of measures have been taken regarding back-up, physical access, power supply, fire detection, duplication of systems and specialised assistance in case of disasters.

#### Legal and regulatory risks

Deceuninck is subject to various stringent and evolving laws, regulations and standards. Adapting to a changing regulatory environment or a failure to comply with such laws, regulations and standards could have an adverse effect on its business, operational results or financial position.

Deceuninck may be faced with claims that it has infringed the intellectual property rights of others. Deceuninck is subject to risks resulting from product liability claims involving products manufactured.

Within an international company individual actions of employees can lead to compliance breaches. This could adversely affect the image of the Company, its activities and the value of the shares.

Through strict worldwide application of its Corporate Governance Charter and rigorous internal control, Deceuninck strives for a maximisation of compliance worldwide with its Corporate Governance Charter and ethical code.