

9. There are no significant agreements to which the issuer is a party and which come into effect, undergo changes or expire in the event of a change in control of the issuer after a public takeover bid, or the consequences of the same, except if they are of such that publication of the same would seriously damage the issuer; this derogatory regulation not being applicable in those cases where the issuer is specifically obliged to publish such information under other legal requirements.
10. There are no agreements concluded between the issuer and its directors or employees which provide for remuneration in the event that, as the result of a public takeover bid, directors resign or are required to take redundancy without valid reason or the employment of employees is terminated.
11. At least one member of the Audit Committee is independent and is an expert in audit and accounting.

## 9. Corporate Governance Statement

Connect Group complies in principle with the Belgian Corporate Governance Code published on 12 March 2009 and explains if applicable in the Connect Group Corporate Governance Charter and in this Corporate Governance Statement why it

departs from a few of its provisions.

The Connect Group Corporate Governance Charter can be consulted on the website of the company. The Belgian Corporate Governance Code can be consulted on [www.corporategovernancecommittee.be](http://www.corporategovernancecommittee.be).

### Composition of the Board of Directors

The Board of Directors consists as from 2012 of 8 members, 3 of whom are nominated by principal shareholders. The Chairman and the Chief Executive Officer are never the same individual. The Chief Executive Officer is the only Board member with an executive function. All other members are non-executive Directors. Three of the Directors are independent in accordance with the criteria of Article 526ter of the Companies Code and provision 2.3 of the Belgian Corporate Governance Code.

The Board of Directors has not taken any specific actions with regard to the composition requirement that at least one third of the members of the Board of Directors consists of the other gender than that of the other members.

The Board of Directors in 2012 will examine what actions can be taken to meet timely to this requirement.

In 2011, the Board of Directors was made up by the following members:

Name	Appointed	End	Principal occupation of director or permanent representative	Number of board meetings taken place	Number of boards meetings attended
<b>Independent Director, Chairman of the Board</b>					
EDJ NV, permanently represented by Erik Dejonghe	2009	November 2011	Director of companies	7	7
Dominique Moorkens (appointed as new Chairman as from November 2011)	2006	2012	Director of companies	9	7
<b>Independent Directors</b>					
Becap BVBA, permanently represented by Pierre Serrure	2007	2013	Director of companies	9	9
Mentofacturing bvba, permanently represented by Willy Hendrickx	2011	2015	Director of companies	3	3
Peter Watteeuw	2011	2015	Director of companies	3	3
<b>Chief Executive Officer</b>					
Luc Switten BVBA, permanently represented by Luc Switten	2010	2014	CEO Connect Group NV	9	9
<b>Directors nominated by the principal shareholders</b>					
Huub Baren bvba, permanently represented by Huub Baren	2010	December 2011	Director of companies	8	8
Adprimum bvba*, permanently represented by Robert Van Hoofstat	2011	2015	Director of companies	3	3
Stokklinx BVBA**, permanently represented by Guy van Dievoet	2010	2014	Director of companies	9	8
Immocom NV **, permanently represented by Freddy Daniëls	2008	2014	Investment Manager of LRM	9	9

\* representing QuaeroQ cvba

\*\* representing LRM NV

## Operation of the Board of Directors

In 2011 the Board of Directors met on 24/01, 14/02, 15/03, 21/03, 09/05, 27/06, 08/08, 07/11 and 12/12. In addition to its statutory powers and powers under the Articles of Association and the Connect Group Corporate Governance Charter, the Board of Directors considered the following matters, among others in 2011:

- the debt position of the Group;
- the 2012 budget;
- the follow-up of the long term-strategy of the Group and its major components;
- the acquisition policy;
- the revision of the Connect Group Corporate Governance Charter;
- the composition and the functioning of the Board of Directors and committees.

## Committees formed by the Board of Directors

The Board of Directors has established two advisory Committees.

### Audit Committee

The Audit Committee is composed as required by Article 526bis §2 of the Companies Code. In 2011 all of its three members are non-executive Directors and one member, Erik Dejonghe is independent.

Another member, Freddy Daniëls has competence in accounting and auditing. This is demonstrated by his position as investment manager of LRM, a public investment company. The Audit Committee is chaired by Guy van Dievoet.

The Chief Executive Officer and the Chief Financial Officer are not members of the Committee, but are invited to attend its meetings. This arrangement guarantees the essential interaction between the Board of Directors and executive management.

The Audit Committee met twice in 2011.

<b>Name</b>	<b>End</b>	<b>Number of meetings attended</b>
Guy van Dievoet	2014	2
Erik Dejonghe	November 2011	1
Freddy Daniëls	2014	2

Its powers regulated by law are the following:

- Monitoring of financial reporting;
- Monitoring of the efficiency of the systems for internal control and risk management of the company;
- Monitoring of the statutory audit of annual accounts and consolidated accounts including responses to questions and recommendations formulated by the external auditor;
- Assessment and monitoring the independence of the external auditor with particular attention for the provision of additional services to the company.

As from 12 December 2011 the composition of the Audit Committee has been adapted due to the newly composed Board of Directors and to conform to the requirements of the Belgian Corporate Governance Act. As from that date the Audit Committee, consisting of 5 members, is composed of following directors or its permanent representatives:

- i. Chairman: Piet Serrure
- ii. Members: Guy van Dievoet – Peter Watteeuw – Dominique Moorkens – Robert Van Hoofstat

Becap, permanently represented by Piet Serrure and Peter Watteeuw are independent directors. Robert Van Hoofstat, Piet Serrure and Guy van Dievoet have a strong financial background based on their former functions.

### **Remuneration and Nomination Committee**

The Remuneration and Nomination Committee is composed as required by Article 526bis §2 of the Companies Code. All its members are non-executive directors. The Remuneration and Nomination Committee is chaired by Dominique Moorkens.

The Remuneration and Nomination Committee met twice in 2011.

<b>Name director or permanent representative</b>	<b>End</b>	<b>Number of meetings attended</b>
Dominique Moorkens	2012	2
Huib Baren	December 2011	2
Erik Dejonghe	November 2011	2
Piet Serrure	2013	2

According its powers regulated by law, the Committee discussed the following subjects:

- remuneration of the Chairman of the Board and board members for 2011;
- remuneration of the management for 2011;
- the new composition of the Board of Directors in 2011;
- the nomination of the new Chairman of the Board.

As from 12 December 2011 the composition of the Remuneration and Nomination Committee has been adapted due to the newly composed Board of Directors and to conform to the requirements of the Belgian Corporate Governance Act.

As from that date the Remuneration and Nomination Committee, consisting of 3 members, is composed as follows:

- i. Chairman: Willy Hendrickx
- ii. Members: Piet Serrure – Freddy Daniëls

The Remuneration and Nomination Committee came together for the first time under the new composition in March 2012.

## Evaluation

The main features of the process for evaluating the Board of Directors, its Committees and the individual Directors are described in chapter 3, 4 & 5 of the Connect Group Corporate Governance Charter.

On 24 January 2010, the Board of Directors reviewed its own composition and *modus operandi*, and the composition and the *modus operandi* of the committees created by it. The Board members were invited to express their various points based on a questionnaire. The questions include:

- the degree to which timely and complete information is made available to directors, and the way any questions and comments are answered by management;
- the discussion and decision-making processes in the Board of Directors, and in particular whether all points of view can be formulated and taken into consideration;
- the participation of individual directors in the discussions and the sufficient contribution by the director of his specific expertise during discussions;
- the way meetings are led by the Chairman of the Board of Directors, with particular attention to the complete exercise of everyone's right to speak.

## Executive Management

Luc Switten has been appointed Chief Executive Officer in charge of daily management. He is supported by Hugo Ciroux, the Chief Financial Officer, Flor Peersman, the Chief Operations Officer and Herman Struiwigh, the Chief Commercial Officer. Together they are the Executive Management\*. The Executive Management meets monthly and is responsible for finance and administration, operations and sales, the preparation of the meetings of the Board of Directors and the supervision of daily management.

Connect Group has no Executive Management according to Article 524bis of the Companies Code.

Name *	Position
Luc Switten	Chief Executive Officer
Hugo Ciroux	Chief Financial Officer
Flor Peersman	Chief Operations Officer
Herman Struiwigh	Chief Commercial Officer

\* *in their own names or via management companies*

## Remuneration Report

### Policy

The remuneration policy for directors and executive management is evaluated annually in the Remuneration and Nomination Committee. The Remuneration and Nomination Committee makes relevant proposals to the Board of Directors and on such matters that need to be submitted to the general shareholders meeting. The proposals formulated by the Remuneration and Nomination Committee are discussed in the Board of Directors. Any adjustment will be submitted to the next general shareholders meeting.

### Remuneration policy for non-executive Directors

The remuneration policy for non-executive Directors is described in paragraph 3.4 of the Connect Group Corporate Governance Charter.

Non executive directors receive from Connect Group NV a fixed annual remuneration and attendance fees:

- there is a set annual remuneration for the members of the Board of Directors as well as for the members of the committees;
- participation in a board meeting entitles the director to an attendance fee.

This remuneration structure is aimed at encouraging directors' active participation in both Board and committee meetings.

The objective and independent judgement of non-executive directors is further encouraged by the fact that they do not draw any other remuneration from the company than their fixed directors' remuneration and their attendance fees. There is no performance-related remuneration provided for the non-executive directors.

The fees for 2012 were maintained at the level of 2011, namely an annual fixed fee of EUR 12,000, an attendance fee of EUR 1,250 per board meeting and an annual fixed fee of EUR 6,000 per committee (all fixed fees are paid pro rata). The fixed remuneration of the chairman of the Board of Directors is double the remuneration of the members.

The remuneration policy of the Board is evaluated annually by the Remuneration and Nomination Committee. The level of remuneration is tested against the specific properties of the group. It shall in particular take into account the existing fees in companies of comparable size. Based on information from Guberna the fees were assessed.

The remuneration policy for non-executive directors will in principle not substantially be modified in the next two years.

#### **Remuneration policy for Executive Management**

The remuneration policy for Executive Management is described in paragraph 5.5 of the Connect Group Corporate Governance Charter.

The remuneration policy of the executive management is reviewed annually by the Remuneration and Nomination Committee, after which it is submitted to the Board of Directors. The level of remuneration is tested against the specific properties of the group. In this context, the Board commissioned the Hay

Group to make a comparison study with other companies.

Bonus targets for the executive management are set annually when preparing the budget for the coming year.

Payments of the bonuses of the executive management are based on both the company performances (achievement of EBIT budget), the operating free cash flow (defined in budget) and the order intake for the year, recorded per manager on group level (consolidated basis). These performance criteria are evaluated per calendar year (which is also the book year). The evaluation criteria all have a similar weight in determining the bonus. When not reaching 70 % of the targets, no bonus is paid. Upon receiving 120 % of the targets, 100 % of the bonus is paid. For 2011, 79 % of the objectives were achieved and the corresponding bonus was calculated.

For the Executive Management and the CEO there are no specific provisions entitling the company to recover variable remuneration granted on the basis of incorrect financial data.

The remuneration policy for the executive management will in principle not substantially be modified in the next two years.

#### **Remuneration of the Board of Directors**

The remuneration of the Board of Directors of 2011 is reflected in the table below (in EUR).

Name	Fixed remuneration	Variable board attendance	Fixed committee attendance	Other remuneration	Total gross 2011
<b>Chairman</b>					
EDJ NV, permanently represented by Erik Dejonghe	18,000	8,750	9,000	4,500	<b>40,250</b>
Dominique Moorkens (appointed as new Chairman as from November 2011)	4,000	2,500	2,000	-	<b>8,500</b>
<b>Directors</b>					
Huub Baren BVBA, permanently represented by Huub Baren	11,000	10,000	5,500	-	<b>26,500</b>
Stokklinx BVBA, permanently represented by Guy van Dievoet	12,000	10,000	6,000	-	<b>28,000</b>
Dominique Moorkens	10,000	6,250	5,000	-	<b>21,250</b>
Immocom NV, permanently represented by Freddy Daniëls	12,000	11,250	6,000	-	<b>29,250</b>
Becap BVBA, permanently represented by Pierre Serrure	12,000	11,250	6,000	-	<b>29,250</b>
Mentofacturing bvba, permanently represented by Willy Hendrickx	5,000	3,750	-	-	<b>8,750</b>
Adprimum bvba, permanently represented by Robert Van Hoofstat	5,000	3,750	-	-	<b>8,750</b>
Peter Watteeuw	5,000	3,750	-	-	<b>8,750</b>
<b>Total</b>	<b>94,000</b>	<b>71,250</b>	<b>39,500</b>	<b>4,500</b>	<b>209,250</b>

### Remuneration of the Chief Executive Officer

In 2011, Connect Group paid a remuneration of 362,650 EUR in respect of the CEO, Luc Switten.

The remuneration, paid to his management company, includes:

- a fixed remuneration of 268,000 EUR;
- a variable remuneration of 94,650 EUR (in the form of a bonus paid);
- no retirement allowance;
- no other remunerations.

### Remuneration of the Executive Management

The Executive Management consists of the CEO, CFO, COO and CCO. In 2011, Connect Group paid a total joint remuneration of 1,014,874 EUR to the Executive Management. This includes:

- a total joint remuneration of 801,000 EUR;
- a variable remuneration of 213,874 EUR (in the form of bonuses paid) ;
- no retirement allowance;
- no other remuneration.

### Longterm-cash bonus plans on more than one year

There are no longterm-cash bonus plans on more than one year granted to the Members of the Board of Directors and the Executive Management.

### Shares and stock options

Following the publication of the annual results for 2010 at the end of March 2011, all Connect Group bondholders who subscribed to the convertible subordinated loan of EUR 5 million in April 2010, decided to convert their bonds into shares. This conversion resulted in the issuance of 3,355,600 new shares with the same rights as existing shares, bringing the total number of issued shares to 10,290,024. This conversion was carried out on 5 May 2011. Following this conversion members of the Board and the Executive Management obtained additional shares.

### Exit bonus

There is no exit bonus plan for the CEO and the Executive Management.

## Shares and shareholders

### Share identification

The Connect Group share is listed on NYSE Euronext Brussels as ISIN BE0003786036 (CONN) and was first listed in May 2000.

### The Connect Group share in 2011

#### Shares

Highest price	2.29 EUR
Lowest price	1.40 EUR
Average price (accounting average)	1.92 EUR
Price at 31/12/2011	1.59 EUR
Number of shares	10,290,024
Average volume traded per day	5,562
Stock market capitalisation at 31/12/2011	16,361,138 EUR

### Connect Group closing prices and volumes traded in 2011

The average daily traded volume was 5,562 shares in 2011. This is half of the daily traded volume of 2010.

### Issued capital and reserves

#### Shareholders' equity (at 31/12/2011)

Origin Name	Number issued	Declared total	%
Equity	10,290,024	6,994,383	67.97 %

Shareholder Name	Number declared (*)	%
Huub Baren (**)	2,166,155	21.05 %
QuaeroQ cvba	2,120,781	20.61 %
LRM NV	1,870,786	18.18 %
Luc Switten	426,369	4.14 %
Het Beste Brood Holding SA (***)	410,292	3.99 %
Other below the reporting threshold	3,295,641	32.03 %
<b>Total</b>	<b>10,290,024</b>	<b>100 %</b>

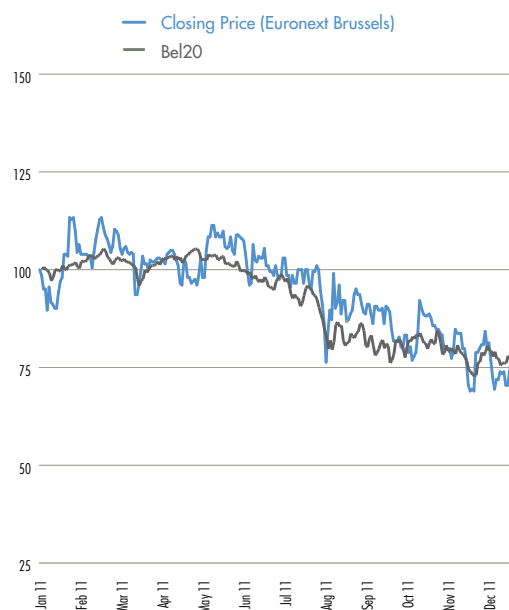
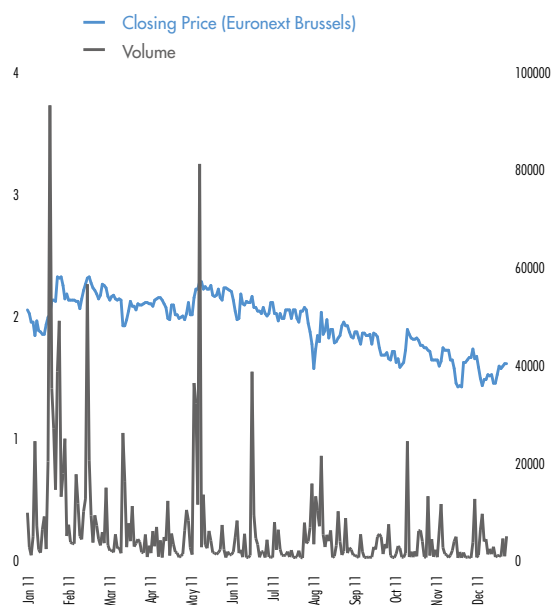
(\*) Shareholders holding 3% or more need to declare their interests

(\*\*) + companies controlled by Huub Baren

(\*\*\*) company controlled by Guy van Dievoet

## Dividend policy

The company does not pursue any strictly defined dividend policy. The Connect Group wants to use all its generated cash to reduce its financial debts in the coming years.



## General Meetings of Shareholders

The Annual General Meeting was held on 26 April 2011. An Extraordinary General Meeting was held on 8 August 2011. The resolutions of these 2 meetings are available at [www.connectgroup.com](http://www.connectgroup.com).

## Risk management and internal control

Connect Group's Board of Directors is responsible for assessing risks inherent to the company and the effectiveness of internal control.

Belgian regulations have not set up a strict legal framework for listed companies. However, a European regulation of 29 April 2004 and the Belgian Corporate Governance Code 2009 recommend to highlight risk factors and the measures they have taken to keep them at an acceptable level.

Connect Group has set up an internal control system adapted to its functioning and to the environment in which it operates, based on the COSO(\*) model. The COSO methodology is based on

five areas: the control environment, risk analysis, control activities, information and communication, and supervision and monitoring.

### Control environment

- **Organization of internal control**  
Connect Group has set up an Audit Committee in charge, among other things, of checking the effectiveness of the Company's internal control and risk management systems. The Chairman of the Audit Committee may not be the Chairman of the Board of Directors.
- **Professional ethics**  
Connect Group has adopted a Corporate Governance Charter with a view to ensuring honest, ethical and law-abiding conduct respectful of good governance principles and a Trading Regulations Code to avoid illegal use of privileged information by the group's Directors, shareholders, senior management and key employees in the exercise of their duties.

## **Risk analysis**

Connect Group has carried out a risk analysis for its activities. This analysis identified the following risks:

- **Market risk**  
The Connect Group operates in a European market where price competitiveness is very high.
- **Production technology risk**  
New production technologies play a major role to win future projects.
- **Financial risk**  
The Connect Group capital structure makes the group largely dependent on external financing.
- **Customer bankruptcy risk**  
Bankruptcy or failure of a larger customer has an impact not only on outstanding receivables but also on the inventory and the purchase commitments specifically related to that customer.
- **Planning/budgeting risk**  
Budgets and projections are important for decision making and management control. Their reliability and relevance can influence the company's performance.
- **Risk related to human resources**  
This relates to the company's capacity to find and retain the human capital required to ensure that it operates effectively and achieves its objectives.
- **Risk related to the financial statements (management information, registration of transactions in accounts, consolidation)**  
The production of complete, reliable and relevant information is an essential element of management and governance.

## **Control activities**

Control activities include all the measures taken by Connect Group to ensure that the principal risks it has identified are appropriately controlled.

- **Market risk**  
The group has since many years invested in production facilities in Eastern Europe to counter price pressure.
- **Production technology risk**  
Management permanently evaluates existing production facilities to ensure that production capacities and technologies remain in line with market expectations.
- **Financial risk**  
The introduction of factoring significantly improves management of working capital. Working capital requirements are monitored on a daily basis.
- **Customer bankruptcy risk**  
Specific procedures are set in place to follow up the individual total customer risks.
- **Risks related to the financial statements**  
Connect Group publishes consolidated financial statements on a quarterly basis. These are approved, with the related press release, by the Board. The Board analyses significant transactions and key events under the period in review, and examines the latest budget and performance projections. Financing, cash management and access to liquidities are generally central to these discussions. Complex accounting subjects, in particular the application of IFRS requirements, are also identified and discussed by the Board.  
The Statutory Auditor (Deloitte) reports to the Audit Committee with its audit conclusions and any comments on the audit process.



### **Information and communication**

In order to transmit reliable financial information to shareholders without delay, a standardized information flow process must be defined. Connect Group has applied IFRS since 2000. Its valuation rules are published every year in its report. Uniform reporting of accounts is used both upstream and downstream in order to ensure the consistency of data and to detect potential anomalies. A financial calendar for this reporting is established every year.

Computerized data backup operations are organized on a daily basis and a monthly storage process prevents a total loss of financial data. Restricted access to software (accounts, consolidation, payment and remuneration) is also applied.

### **Supervision and monitoring**

The supervision activity is exercised by the Board through the Audit Committee's activities. Given the size of Connect Group's activities, there is no internal auditor's post.

The Statutory Auditor (Deloitte) also reviews on an annual basis the internal control procedure for risks related to Connect Group's financial statements. This review of internal control forms part of the assignment of certifying Connect Group's statutory and consolidated accounts in conformity with audit standards applicable in Belgium.

More specifically, the Statutory Auditor tests on the basis of a triennial rotation plan the operational effectiveness of internal control of risks deemed critical in relation to the financial statements. Its work consists of discussions with members of the organization and tests on a limited number of transactions.

The conclusion of this work, presented in a report submitted to the Board of Connect Group, did not reveal any major weaknesses in internal control.

### **Conduct policy**

#### **Statutory conflicts of interests in the Board of Directors**

In accordance with Article 523 of the Companies Code, a member of the Board of Directors should give the other members prior notice of any agenda items in respect of which he has a direct or indirect conflict of interests of a financial nature with the

company, and should refrain from participating in the discussion of and voting on those items. No such conflict of interests arose in 2011.

#### **Other transactions with Directors and Executive Management**

The Connect Group Corporate Governance Charter contains conduct guidelines with respect to direct and indirect conflicts of interests of those members of the Board of Directors and the Connect Group Executive Management that fall outside the scope of Article 523 of the Companies Code. These persons are deemed to be related parties to Connect Group, and have to report, on an annual basis, their direct or indirect transactions with Connect Group or its subsidiaries.

On 2 March 2010 the Automation activity was definitively sold to its former founders, Huub Baren and Vladimir Dobosch. Huub Baren and Vladimir Dobosch are shareholders of Connect Group and were both at the time of the sale directors of Connect Group. Vladimir Dobosch ceased being a director of Connect Group after the closing of the transaction. In this transaction, all conditions with respect to the Corporate Law were respected.

As a result of this transaction, the company still has a gross receivable of EUR 2,000,000 payable end of 2013 against a company controlled by Huub Baren.

Connect Group had sales of EUR 547,233 in 2010 and of EUR 207,337.88 in 2011 to the Electronic Network group. Huub Baren, a director and shareholder of Connect Group, is also the main shareholder in the Electronic Network group. These sales are sales in the normal course of operations. The Board of Directors has analyzed the nature and character of these sales and concluded that they can be regarded as normal business transactions at market conditions.

On 12 December 2011, Huub Baren resigned from the Board of Directors and in this respect, the Board of Directors no longer considers any future transactions with EN or companies related to Huub Baren as related party transactions.

During 2010, the group issued a subordinated convertible bond of EUR 5 million on which the following members of the Board of Directors and management have subscribed:

Name	Amount in EUR	Number
Luc Switten	250.000	20
LRM NV	925.000	74
Siokklinx BVBA	250.000	20
Hugo Ciroux	100.000	8
Flor Peersman	100.000	8
Herman Struiwigh	50.000	4
Marcel Teughels	250.000	20
<b>Total</b>	<b>1.925.000</b>	<b>154</b>

Following the publication of the annual results for 2010 at the end of March 2011, all Connect Group bondholders who subscribed to the convertible subordinated loan of EUR 5 million in April 2010, decided to convert their bonds into shares. This conversion resulted in the issuance of 3,355,600 new shares with the same rights as existing shares, bringing the total number of issued shares to 10,290,024. This conversion was carried out on 5 May 2011.

#### ***Protocol to prevent abuse of advance information and insider trading***

During its meeting on 15 November 2000 the Board of Directors of the Connect Group drew up a protocol to avoid the illegal use of privileged information – or creating the impression of its illegal use – by directors, shareholders, senior managers and key employees (insiders). The protocol consists of a number of prohibitions, intended primarily to protect the market.

The practice of insiders dealing in company shares whilst in possession of insider information affects the market. If insiders are seen to make (or are suspected of making) financial benefit from insider knowledge, investors will turn their back on the market. This could reduce the liquidity of the listed shares and limit access to new cash resources. The protocol also includes a number of preventive measures to assure compliance with the legal stipulations and to protect the company's reputation.

The stringent procedures of the protocol require that the persons involved:

- do not deal in Connect Group shares during the two months prior to publication of annual results;
- do not deal in Connect Group shares during the 21 days prior to publication of quarterly results;
- do not sell shares within six months of purchase;
- inform the company of all intended operations before undertaking them.

#### **Declaration regarding the information given in this annual report 2011**

In accordance with Article 12 § 2 of the Decree of 14 November 2007 on the obligations of issuers of financial instruments, admitted to trading on a Belgian regulated market, the undersigned declare that:

- the annual accounts, which are in line with the standards applicable for annual accounts, give a true and fair view of the capital, the financial situation and the results of the issuer and the consolidated companies;
- the annual report gives a true and fair view of the development and the results of the company and the position of the issuer and the consolidated companies, as well as a description of the main risks and uncertainties they are faced with.

Luc Switten, CEO

Hugo Ciroux, CFO