

CORPORATE GOVERNANCE STATEMENT

The Company adheres to the corporate governance principles set out in the Belgian Code of Corporate Governance 2009 published on the website www.corporategovernancecommittee.be. It has published since 1 January 2006 its Corporate Governance Charter on its website (www.dieteren.com). However, the implementation of these principles takes into consideration the particular structure of the Company's share capital, with family shareholders owning the majority and having ensured the continuity of the Company since 1805. Exceptions to the principles are set out in this corporate governance statement (see p.129).

1. COMPOSITION AND OPERATION OF THE BOARD, EXECUTIVE MANAGEMENT AND CONTROL BODIES

1.1. BOARD OF DIRECTORS

1.1.1. Composition

The Board of Directors consists of:

- > six non-executive directors, appointed on the proposal of the family shareholders;
- > one non-executive director, appointed on the proposal of Cobepa;
- > five non-executive directors, three of whom being independent, chosen on the basis of their experience;
- > the managing director (CEO).

The Chairman and Deputy Chairman

of the Board are selected among the Directors appointed on the proposal of the family shareholders.

1.1.2. Roles and activities

Without prejudice to its legal and statutory attributions and those of the General Meeting, the roles of the Board of Directors are to:

- > determine the Company's strategy and values;
- > approve its plans and budgets;
- > decide on major financial transactions, acquisitions and divestments;

- > ensure that appropriate organisation structures, processes and controls are in place to achieve the Company's objectives and properly manage its risks;
- > appoint the Directors proposed by the Company for the Boards of Directors of its main subsidiaries;
- > appoint and revoke the CEO and, based on a proposal by the latter, the managers who are attached to him and determine their remuneration;
- > monitor and review day-to-day management performance;
- > supervise communications with the

Company's shareholders and the other interested parties;

- > set the dividend. In that framework, the Board of Directors intends to maintain its ongoing policy of providing the largest possible self-financing, which has supported the Group's growth, while ensuring, to the extent possible, regular dividend growth, results permitting.

Composition	Audit Committee ¹	Nomination Committee	Remuneration Committee ¹
Chairman	Pascal Minne	Roland D'Ieteren ³	Roland D'Ieteren ³
Members	Gilbert van Marcke de Lummen ² Christian Varin	Christine Blondel ² Axel Miller ² Pascal Minne ³ Alain Philippon ³	Christine Blondel ² Axel Miller ²

1. Given their respective training and management experience in industrial and financial companies, the members of the Audit Committee, on the one hand, and of the Remuneration Committee, on the other, have the expertise in accounting and audit required by law for the former, and in remuneration policy for the latter.

2. Independent Director.

3. Member of the Nomination and Remuneration Committee until 17 November 2010.

Composition of the Board of Directors (as at 31 December 2010)		Joined the Board in	End of term
Roland D'leteren (68) ¹	Chairman of the Board Graduate of Solvay Business School, MBA (INSEAD). Chairman and managing director of D'leteren from 1975 to 2005. Chairman of the Board of Directors of D'leteren since 2005. Director of Avis Europe and Belron.	1973	May 2014
Maurice Périer (72) ¹	Deputy Chairman of the Board Bachelor Civil Engineer and Solvay Business School (ULB). Career at ELECTROBEL (1971-1987): management controller; CEO of electro-acoustical equipment subsidiary; research department; company secretary of ELECTROBEL Engineering Int'l. Director of D'leteren since 1978. Deputy Chairman of the Board since 1993. Director of Belron.	1978	May 2011
Jean-Pierre Bizet (62)	Managing director Graduate of Solvay Business School, MBA (Harvard), PhD in Applied Economics (ULB). Consultant, partner and director at McKinsey (1980-1994). Managing director of GIB Group (1999-2002). Joined D'leteren in 2002, managing director since 2005. Chairman of the Board of Directors of Belron and Deputy Chairman of Avis Europe.	2005	May 2011
Nicolas D'leteren (35) ¹	Non-executive Director BSc Finance & Management (University of London); Asia Int'l Executive Program and Human Resources Management in Asia Program (INSEAD). Led projects at Bentley Germany and Porsche Austria. From 2003 to 2005, finance director of a division of Total UK. Since 2005, managing director of a Private Equity Fund investing in young companies.	2005	May 2011
Olivier Périer (39) ¹	Non-executive Director Degree in architecture and urban planning (ULB); Executive Program for the Automotive Industry (Solvay Business School); International Executive Program (INSEAD). Since 2000, founding partner of architectural firm Urban Platform. Managing director of SPDG since August 2010.	2005	May 2011
s.a. de Participations et de Gestion (SPDG) ¹	Non-executive Director – Permanent representative: Michel Allé (59) Civil engineer and economist (ULB). Joined Cobepa in 1987, and was a member of the firm's Executive Committee (1995-2000). Finance Director at BIAC (Brussels Airport, 2001-2005). Finance Director at SNCB Holding since 2005. Director of Telenet, Chairman of the Board of Euroscreen. Professor at ULB.	2001	May 2014
Nayarit Participations s.c.a. ¹	Non-executive Director – Permanent representative: Etienne Heilporn (71) Law degree (ULB), member of the Brussels Bar. Partner at Simont Gutt & Simont/Stibbe (1971-2001). Founding partner of Heilporn & Kadaner, specialised in business law (2003).	2001	May 2014

Composition of the Board of Directors (as at 31 December 2010)		Joined the Board in	End of term
Christine Blondel (52)	Independent non-executive Director Ecole Polytechnique (France), MBA (INSEAD). Held executive positions at Procter & Gamble and led the Wendel Centre for Family Businesses at INSEAD. Assistant Professor of Family Companies (INSEAD); consultant in family company corporate governance; director, INSEAD Foundation.	2009	May 2013
Pascal Minne (60) ⁴	Non-executive Director Law degree (ULB), Masters in Economics (Oxford). Partner and Chairman of PriceWaterhouseCoopers Belgium (until 2001). Managing director of Petercam since 2001. Various directorships. Professor of tax law at ULB.	2001	May 2014
Axel Miller (45)	Independent non-executive Director Law degree (ULB). Partner at Stibbe Simont, then at Clifford Chance (1996-2001). After holding several executive positions at Dexia Bank and within the Dexia Group, became managing director in 2006. Partner at Petercam since 2009. Chairman of the Board, Carmeuse; Director, Spadel.	2010	May 2014
Alain Philippson (71)	Non-executive Director Graduate Solvay Business School. Joined Banque Degroof in 1972, currently director and honorary chairman. Chairman of the Board of Directors of Banque Degroof Luxembourg and Degroof Banque Privée Genève. Chairman of the advisory committee of SBSEM (ULB) and of several foundations.	1987	May 2013
Gilbert van Marcke de Lummen (73) ²	Independent non-executive Director Civil Engineer (ULB). Member (1968-1992), then Deputy Chairman (1992-2002), of the Executive Committee of D'leteren. Former Director of Avis Europe (1987-2007) and Belron (1999-2007). Director and Chairman of Audit Committee, Cofinimmo.	2003	May 2011
Christian Varin (63) ^{3,4}	Non-executive Director Institut d'Etudes Politiques (Paris), MBA (Wharton), PhD in management (Université de Paris). Managing director (until 2010), Chairman of the Board of Directors, Cobepa. Company Director (ISOS, Helse, Sapec and BeCapital).	2001	May 2014

1. Appointed on the proposal of family shareholders.

2. Former executive Director.

3. Appointed on the proposal of Cobepa.

4. Lost his quality of independent director in May 2010, at the expiry of his third directorship, in accordance with Article 526ter of Belgium's Company Code.

The Board of Directors meets at least six times a year. Additional meetings are held as necessary. The Board of Director's decisions are taken by a majority of the votes, the Chairman having a casting vote in case of a tie. In 2010, the Board met 9 times. All of the directors attended all of the meetings, except for Messrs Roland D'leteren and Olivier Périer, who have each been excused for one meeting.

1.1.3. Tenures of Directors

The Ordinary General Meeting held on 27 May 2010 appointed Mr. Axel Miller as independent Director for a four-year term and renewed, for the same term of office, the directorship of Messrs Roland D'leteren, Pascal Minne and Christian Varin, S.A. SPDG and s.c.a. Nayarit Participations.

1.1.4. Committees of the Board of Directors

In 2005, the Board set up two Board Committees:

- > the Audit Committee, which met 4 times in 2010, twice in the presence of the Statutory Auditor, and reported on its activities to the Board of Activities;
- > the Nomination and Remuneration Committee, which met 4 times in 2010 and reported on its activities to the Board. This Committee operated until November 2010. It was then split into two separate Committees whose composition is shown in the table page 123.

Operation of the Committees

Audit Committee

The Audit Committee comprises three non-executive Directors, with at least one independent Director; the Chairman, who can be represented by the Deputy Chairman, is invited to its meetings. The Audit Committee's terms of reference primarily include the monitoring of the Company's fi-

nanacial statements, reviewing the risk management function, including risks associated with legal compliance, and the effectiveness of internal and external audits. The Committee will review auditor's reports on half-year and year-end financial statements of the subsidiaries which are consolidated into the Company's accounts. The Audit Committee meets at least four times a year, including at least once every six months in the presence of the Auditor, and reports on its activities to the Board of Directors. The Committee's charter adopted by the Board is set out in Appendix I of the Charter published on the Company's website.

Nomination Committee

The Nomination Committee comprises five non-executive Directors, including the Chairman of the Board, who chairs it, with at least one independent Director. The Committee makes proposals to the Board concerning appointments of non-executive Directors, the CEO, and based on a proposal by the latter, the managers reporting to him, and ensures that the Company has official, rigorous and transparent procedures to support these decisions. The Committee meets at least twice a year and reports on its work to the Board of Directors. The Committee's Charter, adopted by the Board, is reproduced in Appendix II a to the Company Governance Charter available on the Company's website.

Remuneration Committee

The Remuneration Committee comprises three non-executive Directors, including the Chairman of the Board, who chairs it, and a majority of independent Directors. The Committee makes proposals to the Board regarding the remuneration of the non-executive Directors, the CEO, and, based on a proposal by the latter, the managers reporting to him, and ensures that the Company has official, rigorous and

transparent procedures to support these decisions. The Committee meets at least twice a year and reports on its work to the Board of Directors. The Committee's Charter adopted by the Board is reproduced in Appendix II b of the Corporate Governance Charter available on the Company's website.

Consultation Committee

The Chairman and Deputy Chairman meet once a month with the managing director, as a Consultation Committee, an advisory body, to monitor Company performance, review progress on major projects and prepare meetings of the Board of Directors.

Policy for transactions and other contractual relationships not covered by the legal provisions on conflicts of interest

Directors and managers are not authorised to provide paid services or to purchase or sell goods directly or indirectly to or from the Company or to its Group's companies within the framework of transactions not covered by their mandates or duties, without the specific consent of the Board of Directors, except for transactions realised in the normal course of business.

They are to consult the Chairman or managing director, who shall decide whether an application for derogation can be submitted to the Board of Directors; if so, they will notify the details of the transaction to the Company secretary, who will ensure that the related legal matters are applied. Such transactions shall only be authorised if carried out at market conditions.

Evaluation of the Board and its Committees

The Board and its Committees assess on a regular basis, and at least once every three years, their size, composition, procedures, performance and

their relationships with the managers as bodies of the Company, as well as the individual contribution of each Director to overall functioning, in order to constantly improve the effectiveness of their actions and the contribution of said actions to the proper governance of the Company and the Board.

This self-assessment is carried out using a detailed questionnaire sent to each Director and covering various aforementioned assessment criteria, a summary of the responses of which is presented to the Board of Directors and, if applicable, to the relevant Committee.

In 2010, the Audit Committee carried out a self-assessment. The conclusions of this assessment were communicated to the Board of Directors in February 2011.

1.2. GROUP EXECUTIVE MANAGEMENT

The Group executive management is comprised of the CEO, the CFO, the CLO and the Treasurer. The managing director-CEO is responsible for day-to-day management. He is assisted by corporate management, which is responsible at the Group level for finance, financial communications, investor relations, account consolidation, treasury, legal and tax functions.

1.3. EXECUTIVE MANAGEMENT OF THE THREE ACTIVITIES

The activities of the D'leteren Group are organised into three sectors.

The **Automobile Distribution sector** – D'leteren Auto, an operational department of s.a. D'leteren n.v. without separate legal status – is managed by the CEO of D'leteren Auto, reporting to the Group's managing director. The CEO of D'leteren Auto chairs a management committee comprising seven other members responsible for D'leteren Car Centers, Finance, Group Service, IT, Marketing, Makes and Human Resources.

The **Vehicle Glass sector** is comprised of Belron, of which D'leteren owned 92.73% at 31 December 2010, and its subsidiaries¹. On 31 December 2010, Belron is governed by a Board of Directors consisting of 11 members, 6 of whom being appointed on the proposal of D'leteren, 1 Director appointed on the proposal of the founding shareholders, 2 executive Directors and 2 non-executive Directors. D'leteren's managing director is Chairman of the Board. The Board of Directors of Belron has 2 committees: the Audit Committee and the Remuneration Committee, each of which is chaired by a Director appointed on the proposal of D'leteren.

The **Car Rental sector** is comprised of Avis Europe and its subsidiaries. On 31 December 2010, Avis Europe is governed by a Board of Directors comprised of 9 members: 3 Directors are appointed based on the proposal of D'leteren, 3 are independent Directors and 2 are full-time executive Directors. The current non-executive Chairman of the Board is a former manager of the company. The managing director of D'leteren is deputy Chairman

of the Board. The Board of Directors of Avis Europe has 3 Committees: the Audit Committee, which is comprised of 3 independent Directors and the Nomination Committee and the Remuneration Committee, each comprised of one Director proposed by D'leteren. Listed on the London Stock Exchange, Avis Europe is in compliance with the UK Corporate Governance Code, save for a few exceptions fully disclosed in its annual report. In addition, the rights and obligations of the Directors appointed based on the proposal of D'leteren and those of shareholder s.a. D'leteren n.v. are governed by the Relationship Agreement entered into at the time of Avis Europe's IPO in 1997.

1.4. EXTERNAL AUDIT

The external audit is conducted by SC BDO DFSA, Réviseurs d'entreprises – Bedrijfsrevisoren, represented by Gérard Delvaux and Jean-Louis Servais until the General Meeting to be held in May 2011.

The fees charged by the Statutory Auditor and linked companies for the work carried out in 2010 on behalf of the D'leteren Group's companies amounted to 246,750 EUR, excluding VAT, for the statutory auditing of the annual and of the consolidated financial statements, and to 35,416 EUR for non-audit work, including 21,203 EUR for certification work and 14,213 EUR for tax advice.

1. In May 2010, D'leteren sold to the family holding company of Belron's CEO, a member of the founding family, 1% of the company's shares.

2. REMUNERATION REPORT

Developing a remuneration policy and setting remuneration for the Group's non-executive Directors and executive managers

Remuneration policy for the non-executive Directors and for the Group's executive management is set by the Board of Directors, based on recommendations put forward by the Remuneration Committee. The Committee's recommendations to the Board are based on proposals by the CEO if these concern the remuneration of the managers attached to the latter. The Avis Europe and Belron subsidiaries including minority shareholders have their own Board of Directors and Remuneration Committee, which set the policy for the remuneration of their own respective non-executive Directors and executive managers.

At the end of each year, D'leteren's Remuneration Committee examines:
> any proposals for changing the re-

muneration of the non-executive Directors during the following year;
> proposals concerning the variable remuneration of the executive managers during the past year, any changes to their fixed remuneration and defining their variable remuneration target for the following year, and submits these to the Board for approval.

Remuneration of the non-executive Directors

The Company implements a remuneration policy designed to attract and keep on the Board a group of Directors having a wide variety of expertise in the various areas necessary to the profitable growth of the Company's activities. The Directors receive an identical fixed annual remuneration, independent of their presence at the Board meetings. Certain Directors are also entitled to a fixed remuneration for the rendering of specific services

as Chairman or Deputy Chairman of the Board, or for the participation on one or more Board committees. In addition, Avis Europe and Belron remunerate certain Directors for the holding of seats on their Board. The non-executive Directors do not receive any performance-linked remuneration or any benefit in kind or benefit linked to pension plans. The managing director does not receive any remuneration for his participation on the Board of Directors.

The Company communicates the remuneration allocation to the non-executive Directors as a total figure. The Board believes that the shareholders and investors are adequately informed if the total cost of the collegial body of governance (except for the managing director) formed by the Board of Directors is communicated to them and that said, shareholders and investors do not need to know each individual Director's remunera-

tion. In accordance with the Law of 6 April 2010, entering in force in 2011, the Company will communicate these amounts individually for each Director.

For the year ended 31 December 2010, 1,578,888 EUR has been paid to the non-executive directors by the Company and by the Group's subsidiaries. No other benefit or payment, or loan or guarantee has been granted to them by D'leteren.

Remuneration of the Group's executive management

Group policy is to pay compensation at levels that will attract and retain, in the various activities, managers having the appropriate background and to motivate these managers by means of adequate incentives. This policy is based on external fairness criteria, measured in terms of comparable positions outside the Group, and on internal fairness criteria, among colleagues within the Company.

The executive management's remuneration is comprised of:

- > a fixed remuneration, consisting of a base remuneration, employer's contributions to pension schemes and other benefits;
- > a valuable remuneration comprised of annual bonuses and share options tied to the individual performances of the executive managers concerned, vis-à-vis their quantitative and qualitative objectives.

The pension schemes are of the "defined contribution" type.

2010 (EUR)	CEO	Other executive managers
Annual remuneration		
Fixed remuneration		
> Base remuneration*	973,345	552,776
> Directorships in group companies	128,262	97,888
> Other benefits	22,440	19,622
<i>Total annual fixed remuneration</i>	<i>1,124,047</i>	<i>670,286</i>
Variable remuneration		
> Annual bonus*	613,274	364,500
<i>Total annual variable remuneration</i>	<i>613,274</i>	<i>364,500</i>
Total annual remuneration	1,737,321	1,034,786
Long-term remuneration		
> Group insurance*	88,652	121,419
> D'leteren share options	55,440	69,300
> Other long-term incentives	85,386	106,733
Total long-term remuneration	229,478	297,452
Total annual and long term remuneration	1,966,799	1,332,238

* Gross amounts, excluding employer's share of social security contributions.

A target annual bonus is set at the beginning of each year. Depending on individual performance during the year, the bonus actually paid at the beginning of the following year can vary within a range of 50%-150% of this target.

The long-term incentive programme consists of granting a specific number of D'leteren share options (see *below*) and, where appropriate, options on a basket of third-party shares. These options are valued at 10% and 20% respectively of the exercise price, considering a vesting period of 3 and 1 year(s), respectively.

The table p. 128 shows the various categories of remuneration paid in 2010 to the managing director and to the other members of the executive management of the Group.

The variable portion of the remunerations paid in 2010 represented 35.3% for the managing director and 35.2% for the other executive managers, respectively.

D'leteren share options

The features of the D'leteren share option schemes organised for managers of the Company were approved by the Ordinary General Meeting held on 26 May 2005, which authorised the Board of Directors to organise annual share option schemes for managers of the Company having at least three years of service. These options can be exercised between 1 January of the third year following the launch date of the offer and the end of the tenth year thereafter, except during periods of 1.5 months preceding the announcement of the annual and semi-annual financial results and entitling holders to acquire existing shares of the Company, with the possibility

of immediate resale, at a price corresponding either to the average price during the 30 working days before the offer date or at the closing price of the immediately preceding business day. The number of options offered by management category and the exercise price are determined based on the opinion of the Remuneration Committee. Additional details on the share option plans are provided in Note 37 of the consolidated financial statements.

In 2010, 3,125 D'leteren share options were granted to the executive managers (1,400 options to the managing director and a total of 1,725 options to the three other executive managers) at a per share exercise price of 396 EUR. The value of these options is included in the remuneration amounts mentioned in the "Remuneration of the Group's executive management" section. No options lapsed in 2010.

Main contractual conditions concerning the departure of members of the executive management

The employment contracts of the managing director and other members of executive management do not provide for severance pay upon termination of contracts. Should such a situation arise, the parties will negotiate in good faith to determine the terms and conditions applicable to such termination. In the event of a disagreement, the dispute will be resolved by courts applying Belgian law.

DEROGATIONS TO THE 2009 BELGIAN CORPORATE GOVERNANCE CODE

The Company derogates from the Code on the following principles:

> Derogation to principle 2.2.

The group of Directors appointed on the proposal of the family shareholders is in a position to dominate decisions. In companies where family shareholders hold a majority of the share capital, the family shareholders do not have, as do other shareholders, the opportunity to sell their shares if they do not agree with the orientations defined by the Board. Their joint or majority representation on the Board enables them to influence these orientations, thereby ensuring the shareholding stability necessary to the profitable and sustainable growth of the Company. The potential risks for corporate governance resulting from the existence of a high degree of control by the majority shareholder on the working of the Board can be mitigated, on the one hand, by appropriate use of this power by the Directors concerned in respect of the legitimate interests of the Company and of its minority shareholders and, on the other hand, by the long-term presence of several non-executive Directors not representative of the family shareholding, which ensures genuine dialogue on the Board.

> Derogation to principles 5.2./4 and 5.3./1

The composition of the Audit Committee and of the Nomination Committee, each of which includes at least one independent Director, derogates from the Belgian Corporate Governance Code, which recommends the presence of a majority of

independent Directors. This is because the Board believes that an in-depth knowledge of the Company is at least as important as independent status.

> Derogation to principle 7.8.

The Company discloses globally the remuneration paid to Board Members. The Board believes that the shareholders are adequately informed if the total cost of the Board of Director as collegial governance body is disclosed without providing details on the remuneration of each individual Director.

> Derogation to principle 8.8.

The provision that "each shareholder holding at least 5% of the capital shares can submit proposals to the General Meeting" is not applied. Except for family groups, no shareholder currently holds more than 5% of the share capital.

These derogations are also reproduced in Part 5 of the Corporate Governance Charter published on the Company's website.



3. INTERNAL CONTROLS AND RISK MANAGEMENT SYSTEMS

The Board of Directors of D'leteren S.A. performs its control duties on the Group entities (Automobile distribution and Corporate, Avis Europe and Belron, hereafter collectively "the Group") by (i) ensuring that these entities' bodies correctly perform their own control duties and that committees entrusted with special survey and control tasks (such as an Audit Committee and a Remuneration Committee) are put in place and function properly and (ii) ensuring that reporting procedures are implemented to allow the Board to follow up at regular intervals the Group entities' businesses, notably regarding the risks they are facing, and to acknowledge the decisions taken by the entities' bodies.

The Board of Directors is assisted by the Group's Audit Committee (hereafter "the Audit Committee") in the exercise of its control responsibilities on the Company's entities, in particular as regards the financial information distributed to shareholders and to third parties and in monitoring the mechanisms for risk management and internal control.

Against this background, the effectiveness of the Group's system of controls, including operational and compliance controls, risk management and the Group's internal control arrangements, has been reviewed. Such a system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and can only provide reasonable, and not absolute, assurance against material misstatement or loss.

These reviews have included an assessment of both financial and operational internal controls by the internal audit of each entity and reports from the external auditor on matters identified in the

course of its statutory audit work.

3.1. INTERNAL CONTROL ENVIRONMENT

3.1.1. The system of internal control includes but is not limited to:

- > clear definition of the organisation structure and the appropriate delegation of authorities to management;
- > maintenance of appropriate separation of duties together with other procedural controls;
- > strategic planning and the related annual budgeting and regular review process;
- > monthly reporting and review of financial results and key performance statistics;
- > adoption of accounting policies to help ensure the consistency, integrity and accuracy of the Group's financial records;
- > specific treasury policies and the regular reporting and review of all significant treasury transactions and financing activities;
- > procedures for the authorisation of capital expenditure;
- > internal audit reviews;
- > policies and business standards.

3.1.2. The effectiveness of the system of internal control has been reviewed through the following processes:

- > review of internal and external audit plans;
- > review of any significant reported unsatisfactory control matters;
- > review of any control issues that arise from internal and external audits together with any additional matters brought to its attention;
- > review of any significant risks identified by the Group's risk management process;
- > discussions with management on any significant new risk areas identified

by management and the internal and external audit processes.

The Audit Committee receives a regular report on the work carried out by the Audit Committee of each entity and makes in turn its own reporting to the Board.

3.2. ASSESSMENT OF BUSINESS RISK

3.2.1. The Group ensures that business risks, whether strategic, operational, reputational, financial, legal or environmental, are both understood and visible as far as practicable. The Group's policy is to ensure that risk is taken on an informed rather than unintentional basis.

3.2.2. Each entity conducts an annual risk review and updates its risk register with each risk's impact, probability and mitigation actions. This approach forms the cornerstone of the risk management activities of the Group, the aim of which is to provide the assurance that the major risks the Group faces have been identified and assessed, and that there are controls either in place or planned to manage these risks.

A summary of the main risks the Group faces is provided hereafter.

3.3. INTERNAL AUDIT

3.3.1. Each entity has its own internal audit and risk management function, which is independent of its external auditors and which may work in partnership with an outsourced provider, where specialist skills are required. The review ensures that these functions are appropriately staffed, that their scope of work is adequate in the light of the key identified risks the en-

tity faces and that the annual internal audit plan is properly approved.

3.3.2. The Audit Committee of each entity ratifies the appointment and dismissal of its internal audit manager and assesses his independence and objectivity and helps ensure that he has unfettered access to management and to the Audit Committee.

3.3.3. The role of internal audit of each entity is to:

- > assess the design and operating effectiveness of controls governing key operational processes and business risks;
- > provide with an assessment, independent of management, as to the adequacy of the entity's internal operating and financial controls, systems and practices;
- > provide advisory services to management in order to enhance the control environment and improve business performance.

3.4. KEY RISKS

3.4.1. Business risks

3.4.1.1. Industry risk

The automobile distribution business may be impacted by several factors relating to the car industry and the volume of cars sold on the Belgian market. Overall demand and mix may be affected by factors including general economic conditions, availability of credit to potential buyers, the tax treatment of company cars or CO₂ emissions. Specific demand for the distributed makes depends on the success of models developed by their automotive suppliers (VW, Porsche, Yamaha) and their adequate pricing on the Belgian market.

In addition to general economic con-

ditions which affect demand from corporations or individuals, disruptions in air travel patterns or a general decrease in air travel as a result of a significant event such as a terrorist incident or as a consequence of increased security measures being taken by the authorities in anticipation of such a threat may specifically affect the demand in the car rental activity.

In the vehicle glass repair and replacement business, mild weather conditions, reduction in number of miles driven (e.g. as a result of an increase in fuel prices) or reduction of average speed on roads as a result of speed limit enforcements are unfavourable factors as they tend to reduce the frequency of glass breakage. Changes in insurance policies regarding glass breakage, such as increase of deductibles may reduce demand or increase price pressure.

Disruptions in the recent used car market as a result of economic conditions or intense price competition in the new car market may affect residual values on risk fleet of Avis Europe or buyback cars repurchased from car rental companies at D'leteren Auto.

These developments are actively monitored by each entity and fed in a planning process including strategic planning, long term financial planning, budgets and monthly reporting. This process allows a good anticipation of these trends or quick reaction to sudden events and provide management with a base for decisions regarding the range of products or services offered, their pricing and the sizing of the organisation.

Where business is by essence subject to rapid changes in demand, structures have been adapted to provide the maximum flexibility.

3.4.1.2. Sourcing risk

D'leteren Auto imports and distributes new cars and spare parts of the makes of the Volkswagen group. The relationship with Volkswagen has been built over the last 60 years and is formalised in wholesale agreements with each of the makes with no specified end dates. Any adverse changes to the terms of the agreements, any deterioration in the relationship with the Volkswagen group or any significant change in policy towards independent importers is likely to have an adverse effect on the financial condition and the results of the entity.

The key defence against this risk resides in the company's ability to demonstrate to the Volkswagen group its added value through the management of the Belgian network of distributors. The company is strictly aligned to the commercial, marketing and services policies of the Volkswagen group.

Avis Europe purchases its fleet from all major OEM's. Collapse of one OEM may result in loss of fleet availability, buy-back exposure and poor residual performance. This risk is mitigated by a diversified fleet supplier mix, monitoring of OEM credit ratings, frequent book value to residual assessment, and netting arrangements where appropriate.

VGRR business is critically dependent on the supply of vehicle glass, polyurethane and repair resin. The loss of a key supplier in any of these areas would significantly disrupt its operation. As a result, purchasing teams have developed a strategy to diversify sourcing and actively allocate volumes in order to ensure that there remains viable competition in supply with global diversification of suppliers.

3.4.1.3. Key account risk

In the three entities, a significant part of the business is transacted with large key accounts such as corporates, fleet leasing companies or insurers. Any loss of one or several major key account(s) could have an adverse effect on the financial condition and the results of the Group.

Each entity undertakes many activities to ensure that its relationship with key accounts remains strong. Every major account will have a clear owner who will develop a key account plan with clear objectives on how to develop the relationship further. Each entity ensures that its customer portfolio remains sufficiently balanced.

3.4.1.4. Partnering Risk

In the car rental activity, Avis Budget Group, Inc. (ABG) licenses the Avis and Budget brands to Avis Europe for operation in specified territories through master licensing agreements which expire in 2036. Avis Europe does not have any cross-shareholdings with ABG, yet through the close contractual and business relationship the two companies work together to provide a seamless service to customers of both the Avis and Budget networks. Avis Europe relies on ABG to operate its own business in a manner that both upholds the value of the global brands and allows the group to provide a similar service in all locations in which it operates. Avis Europe has joint marketing initiatives with ABG and share market and customer information where appropriate. It also provides joint services and cross-refers customers through a formalised agreement. The maintenance of a good management relationship with ABG is therefore important to Avis Europe.

Avis Europe uses the Wizard rental

and reservation system under license from ABG, pursuant to a long-term computer services agreement, which is subject to a five-year notice period. Wizard has been operational since 1972, and has been continuously enhanced and expanded since that time. It is a fully integrated reservation, rental and management information system that is used by Avis Europe and ABG worldwide. Avis Europe is obliged to contribute to the cost of upgrading and enhancing Wizard and, therefore, unanticipated costs could adversely affect its results. Should Wizard need to be replaced, process and execution issues could present a substantial risk to Avis Europe's operations. Any adverse changes to the terms of the agreements or any deterioration in ABG or its business or in the relationship with ABG are likely to have an adverse effect on the financial condition and the results of the group.

3.4.1.5. Product/service failure risk

Vehicles or spare parts distributed by D'leteren Auto may be subject to a major default. In this case, all the technical and PR response to such failure would be organised by the Volkswagen group.

In the vehicle glass repair and replacement business, as the windscreen is an important part of the safety of a vehicle, particularly with regards to the deployment of the airbag and the strength of the roof, any badly fitted windscreen could adversely impact the safety of the vehicle and have a legal, financial and reputational impact.

In order to minimise this risk, Belron develops clear fitting standards, rolls them out throughout the organisation, and regularly monitors compliance through technical teams in every

business unit. In addition, events such as the "Best of Belron", a worldwide competition to elect the best fitter of the group, based on observation of standards and quality of execution, reinforce the importance of the highest fitting standards.

3.4.1.6. Loss of key Personnel

Continuity of the business may be impaired by the loss of personnel responsible for key business processes, for physical reasons or as a result of their decision to leave the organisation.

Personnel retention is managed through the offering of a competitive compensation, regularly benchmarked against market practice, good career perspectives, regular feedback and employee satisfaction surveys. Succession planning of key personnel is regularly reviewed by the top management of each entity.

3.4.2. Finance and IT risks

3.4.2.1. Catastrophic loss risk

The Group's entities are heavily dependant on key resources such as IT systems, call centers and distribution centers. Major disaster affecting these resources may result in the inability of the entity to provide essential products or services either locally or globally. Absent mitigating actions, operating costs resulting from the occurrence of a disaster may not be recovered.

Management regularly reviews the underlying potential causes of loss and implements protective measures. In addition, Business Continuity Plans are designed to ensure continuity of the entities should a disaster occur. More specifically for IT systems, dupli-

cation of key data and systems mitigate the impact of a potential major system failure. Residual risk may be covered by appropriate insurance policies.

3.4.2.2. Liquidity risk

Some of the Group's operations are by their nature very capital intensive and are dependent on its various sources of funding. A substantial proportion of the Group's entities are funded with borrowings, including both on and off balance sheet leasing arrangements and, as such, depend on access to the debt markets and other forms of financing to fund the Group's fleet, such as securitisation. Lack of availability of funds or a breach of financial covenant could result in the inability of all or part of the Group to operate or may lead to a significant increase of the cost of funding.

Each entity seeks to ensure that it has a core level of long-term committed funding in place with maturities spread over a number of years.

This core funding is supplemented with shorter-term committed and uncommitted facilities particularly to cover seasonal debt requirements. All funding is arranged with a wide range of providers, on both a public and private basis. Each entity maintains a regular dialogue with debt providers to keep them updated on the trading performance and prospects of the business.

3.4.2.3. Interest rate and currency risk

The Group's international operations expose it to foreign currency and interest rate risks. The majority of the business carried out by the Group is transacted in euro, pounds and US dollars. In each country where the

Group has a subsidiary, revenue generated and costs incurred are primarily denominated in the relevant local currency, thereby providing a natural currency hedge. With regard to translation exposures in the car rental activity, the policy is to match where possible the average assets of the Group to the equivalent average liabilities in each major currency and thus minimise any impact to the Group. To the extent that this does not occur, both foreign currency borrowings and forward exchange contracts are used. In the vehicle glass repair and replacement activity, the policy is, whenever possible, to hedge the value of foreign currency denominated investment with an equivalent amount of debt in the same currency to protect their value in euro.

Interest rate risk arises from the borrowings of the Issuer and its affiliates which, after foreign currency risk hedging, principally arise in euro and pound. Borrowings issued at variable rates expose the Group to cash flow interest rate risk whereas borrowings issued at fixed rates expose the Group to fair value interest rate risk. To manage these risks, the Group is financed through a combination of both fixed and floating rate facilities and enters into various derivatives. As present debt facilities mature, the Group is exposed to higher credit spreads on its borrowings.

3.4.3. Other risks

3.4.3.1. Compliance risk

In geographies where the Group's businesses have significant market shares and/or are governed by vertical agreements falling in the scope of Block Exemption regulations, the key legislative risk relates to Competition Law. Any competition law breach could result in significant fines. In addition to this, there has recently been significant development in Data Protection legislation with similar punitive fines being introduced.

In order to mitigate these risks, clear policies and legal monitoring have been put in place and widely communicated. Their application is audited on a regular basis.

3.4.3.2. Integrity risk

The reputation or the assets of the Group may be affected if unethical or fraudulent activities were perpetrated by employees, customers, suppliers or agents against the Group for personal gains, or if the Group was considered jointly responsible for such acts perpetrated by third parties.

The Group is putting in place a series of measures in order to avoid these risks to the maximum extent possible, including established policies and procedures, ethics policy or code of conduct applicable to all staff, appropriate training of the staff, delegation of authority in place with separation of duties, management information, internal audit, finance reviews and accounting reconciliation.

4. CAPITAL INFORMATION

Denominator

At 31 December 2010	Number	Related voting rights
Ordinary shares ^{1,2}	55,302,620	55,302,620
Participating shares ^{1,2}	5,000,000	5,000,000
Total		60,302,620

1. After stock split.

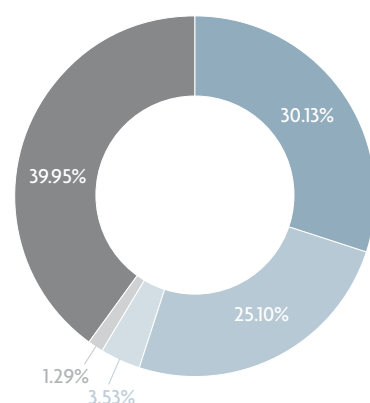
2. Each of the shares and participating shares grants one voting right.

Share split

The General Meeting of shareholders held on 20 December 2010 approved the share split (ordinary shares, VPR strips and participating shares) by way of exchange at the rate of ten new shares for an existing one, as well as the dematerialisation of bearer shares, which must therefore be converted into dematerialised or registered shares prior to any exercise of the related rights. These decisions took effect on 27 December 2010.

Shareholding structure

At 31 December 2010 (in voting rights)	
■ Nayarit Group	30.13%
■ SPDG Group	25.10%
■ Cobepa s.a.	3.53%
■ Treasury shares	1.29%
■ Public	39.95%



Disclosure of significant shareholdings (Transparency law)

Following Cobepa's sale of a portion of its stake in the Company's share capital on 23 September 2010, the latter received a disclosure of significant shareholding on 29 September 2010.

In compliance with Article 14 paragraph 4 of the Law of 2 May 2007 on the disclosure of significant shareholdings, the shareholding structure such as it results from the notifications received by the Company is presented in Note 29 of the Financial Report.

The Company is not aware of any subsequent notification modifying the information presented in this Note.

Law on takeover bids

In accordance with Article 74 § 7 of the Law of 1 April 2007 on takeover bids, s.a. D'leteren n.v. received on 20 February 2008 a notification from the Nayarit group (whose members are listed in Note 29 of the Financial Report), which includes all legally required statements and in particular mentions that, either separately or acting in concert with other people, on 30 September 2007 it held more than 30% of the voting shares issued by the Company.

Elements that can have an influence in case of a takeover bid on the shares of the Company

The Extraordinary General Meeting of 28 May 2009 has renewed the authorisation to the Board to increase the share capital in one or several times by a maximum of 60 million EUR. The capital increases to be decided upon in the framework of the **authorised capital** can be made either in cash or in kind within the limits set up by the Company Code, or by incorporation of available as well as non-available reserves or a share premium account, with or without creation of new shares, either preference or other shares, with or without voting rights and with or without subscription rights. The Board of Directors may limit or waive, in the Company's best interest and in accordance with the conditions determined by the law, the preferential subscription right for the capital increases it decides, including in favour of one or more determined persons.

The Board of Directors is also entitled to decide, in the framework of the authorised capital, on the issuance of convertible bonds, subscription rights or financial instruments which may in term give right to Company shares, under the conditions set up by the Company Code, up to a maximum, such that the amount of the capital increases which could result from the exercise of the above mentio-



ned rights and financial instruments does not exceed the limit of the remaining capital authorised as the case may be, without the preferential subscription right of bondholders.

Without prejudice to the authorisation given to the Board of Directors according to the previous paragraphs, the Extraordinary General Meeting of 29 May 2008 has explicitly authorized the Board of Directors, for a renewable 3-year period, to proceed – in the event of takeover bids on the Company's shares and provided the required notification has been made by the CBFA within a 3-year period – to capital increases by contribution in kind or in cash, as the case may be, without the preferential subscription right of shareholders.

By decision of the same Meeting, the Board of Directors has been authorised to purchase **own shares**, without prior approval of the Assembly, in order to prevent the Company from suffering a severe and imminent damage, for a renewable 3-year period, starting from the date of publication of the decisions taken to amend the articles of association in the appendixes of the Belgian Official Gazette. The Board is also authorized, in order to prevent the Company from suffering a severe and imminent damage, to sell own shares on the stock exchange or through a sale offer made under the same conditions to all shareholders in accordance with the law. These authorisations also apply, under the same conditions, to the purchase and sale of the Company's shares by subsidiaries in accordance with clauses 627, 628 and 631 of the Company Code.

The renewal of the authorisations to the Board mentioned in paragraphs 3 and 4 of this section shall be submitted to the General Meeting for approval on 26 May 2011.

Finally, the Extraordinary General Meeting of 28 May 2009 granted the Board a 5-year authorisation to purchase own shares under the legal conditions, notably to cover stock option plans for managers.

The rules governing the **appointment and replacement of Board members and the amendment of the articles** of association are those provided for by the Company Code.

The **change of control clauses** included in the credit agreements concluded with financial institutions and in the prospectus for the public bond offering of 23 December 2009 was approved by the General Meeting of shareholders of 27 May 2010, in accordance with article 556 of the Company Code.