

# Corporate Governance

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](http://www.corporategovernancecommittee.be). It has published since 1 January 2006 its Corporate Governance Charter on its website. 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 point 5 of this Corporate Governance Statement.

## 1. BOARD OF DIRECTORS

### Composition

The Board of Directors consists of:

- > six non-executive Directors, appointed on the proposal of the family shareholders;
  - > one non-executive independent Director, appointed on the proposal of Cobepa;
  - > four non-executive Directors, two of whom being independent, chosen on the basis of their experience;
  - > the Managing Director (CEO).
- The Chairman and the Deputy Chairman of the Board are selected among the

Directors appointed on the proposal of the family shareholders.

### Roles and activities

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

- > determine the strategy and values of the Company;
- > approve its plans and budgets;
- > decide on major financial operations, acquisitions and divestments;
- > ensure that appropriate organisation structures, processes and controls are in place in order to achieve the Company's objectives and properly manage its risks;

- > appoint the Directors proposed by the Company for the boards of its main subsidiaries;
- > appoint and revoke the CEO and CFO of s.a. D'Ieteren n.v. as well as the CEO and CFO of D'Ieteren Auto and decide on their remuneration;
- > monitor and review performance of the executive management;
- > maintain effective communication with the Company's shareholders and other stakeholders;
- > set the dividend. In that framework, the Board of Directors intends to maintain its ongoing policy of providing the largest possible self-financing for

Board of Directors (as at 31 December 2009)		Age	End of term
Roland D'Ieteren <sup>1,2</sup>	Chairman of the Board; Director Avis Europe plc, Belron s.a.	67	May 2010
Maurice Périer <sup>1,2</sup>	Deputy Chairman of the Board; Director of companies Director Belron s.a.	71	May 2011
Jean-Pierre Bizet	Managing Director; Executive Deputy Chairman Avis Europe plc; Chairman of the board Belron s.a.	61	May 2011
Nicolas D'Ieteren <sup>1,2</sup>	Managing Partner Ereno s.p.r.l.	34	May 2011
Pascal Minne <sup>3</sup>	Managing Director Petercam	59	May 2010
Olivier Périer <sup>1,2</sup>	Architect; Founding Partner Urban Platform s.c.r.l.	38	May 2011
Alain Philippson <sup>5</sup>	Director Banque Degroof, C.F.E.	70	May 2013
Gilbert van Marcke de Lummen <sup>4</sup>	Director of companies; Director Cofinimmo s.a.	72	May 2011
Christian Varin <sup>3</sup>	Managing Director Cobepa; Director Sapec, Carrières du Hainaut, ISOS, J.F. Hillebrand	62	May 2010
Christine Blondel <sup>3</sup>	Senior advisor, Centre International Wendel pour L'Entreprise familiale, INSEAD; Director Compagnie du Bois Sauvage	51	May 2013
s.a. de Participations et de Gestion <sup>1,6</sup>	Permanent representative: Patrick Peltzer	69	May 2010
Nayarit Participations s.c.a. <sup>1</sup>	Permanent representative: Etienne Heilporn	70	May 2010

1. Director appointed on the proposal of the family shareholders. 2. Director descendant of, or related to, the founding family. 3. Independent Director. 4. Former Executive. 5. Baron Alain Philippson lost his quality of independent Director in May 2009 in accordance with article 526ter of the Company Code, which provides that a director is no longer independent at the expiry of his third directorship or after 12 years. 6. The permanent representative of this Director is, as from 1 January 2010 on, Michel Allé, Chief Finance Officer SNCB-Holding.

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the development of the Group, while ensuring regular dividend growth, results permitting.

The Board of Directors meets at least six times a year. Additional meetings are held when business needs require. Decisions of the Board of Directors are taken by a majority of votes, the Chairman having a casting vote in case of a tie.

In 2009, the Board met 9 times. All Directors participated to the Board meetings, except Messrs N. D'leteren, O. Périer, P. Peltzer, A. Philippson and G. van Marcke de Lummen, who have each been excused for one meeting.

## Tenures of Directors

The Ordinary General Meeting held on May 28, 2009 decided to appoint Mrs Christine Blondel as independent Director for a four-year term and to renew the directorship of Baron Alain Philippson for a four-year term.

## Committees of the Board of Directors

At the beginning of 2005, the Board set up two **Board Committees**:

- > the **Audit Committee** met 4 times in 2009, 2 of which in the presence of the Statutory Auditor, and reported on its activities to the Board of Directors;
- > the **Nomination and Remuneration Committee** met 2 times in 2009 and reported on its activities to the Board of Directors.

## Operation of the Committees

### Audit Committee

The Audit Committee comprises four non-executive Directors at the most with proven expertise in accountancy and audit, of which at least one independent; the Chairman, who can be represented by the Deputy Chairman, is invited to the meetings. The Audit Committee's terms

of reference include mainly: monitoring the Company's financial statements, reviewing the risk management function and ensuring the effectiveness of external and internal audit. The Committee will review auditors' 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, of which one per semester in the presence of the Statutory Auditor, and reports on its activities to the Board of Directors. The Audit Committee's Charter adopted by the Board is set out in Appendix I of the Charter published on the Company's website.

### Nomination and Remuneration Committee

The Nomination and Remuneration Committee comprises four non-executive Directors at the most, among whom the Chairman of the Board, who chairs it, and at least one independent Director. The Committee will make proposals to the Board regarding appointments and remuneration of directors and executive management of the Company, and ensure the Company has formal, rigorous and transparent procedures to support these decisions. The Committee meets at least three times a year and reports on its activities to the Board of Directors. The Nominations and Remuneration Committee's Charter adopted by the Board is set out in Appendix II of the Charter published on the Company's website.

### Consultation Committee

The Chairman and the Deputy Chairman meet monthly with the Managing Director, as the Consultation Committee, to keep in close relation with each other, monitor the Company's performance, review progress on major projects and prepare the Board of Directors' meetings.

## 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 and to purchase or sell goods directly or indirectly to the Company or to companies in its group 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 bound to consult the Chairman or Managing Director who shall decide whether an application for derogation may be submitted to the Board of Directors and, in such case, notify the details of the transaction to the Secretary of the board, who will ensure that the related legal measures are applied. Such transactions shall not be authorised in any event save where effected at market conditions.

## Evaluation of the Board and its Committees

During 2009 the Board carried out an evaluation of its own performance and that of its Committees. It took notably into account their composition, organisation and the meetings' contents, their relationship with the majority shareholder and with the executives, to assess their effectiveness and to take, if necessary, any appropriate action based on the results of the evaluation.

## 2. GROUP EXECUTIVE MANAGEMENT

The Managing Director of s.a. D'leteren n.v. is responsible for the Group executive management. He is assisted by the Corporate management team, in charge, at Group level, of finance, financial communication, investor relations, accounts consolidation, legal and tax

## Composition of the Committees

(as at 31 December 2009)

	Nomination and Remuneration Committee	Audit Committee <sup>2</sup>
Chairman	Roland D'leteren	Pascal Minne <sup>1</sup>
Members	Pascal Minne <sup>1</sup> Alain Philippson	Gilbert van Marcke de Lummen Christian Varin <sup>1</sup>

1. Independent Director. 2. Considering their training and management experience in companies with financial character, the members of the Audit Committee have the expertise in accounting and audit required by the law.

matters and management control.

The Group Chief Financial Officer, the Group Chief Legal Officer and the Group Treasurer are also part of the executive management at Group level.

### 3. EXECUTIVE MANAGEMENT OF THE THREE SECTORS

The activities of the D'leteren Group are organised in 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 D'leteren Auto, reporting to the Group Managing Director. The CEO D'leteren Auto chairs the management committee of D'leteren Auto, comprising seven other members with responsibilities for D'leteren Car Centers, Finance, Group Service, IT, Marketing, Makes and Human Resources.

The **Car Rental sector** comprises Avis Europe plc and its subsidiaries. At 31 December 2009, Avis Europe plc is governed by a board of directors of nine members: three are appointed on the proposal of s.a. D'leteren n.v., three are independent directors, and two are full time executive directors. The current non-executive chairman of the board is a former Avis CEO. D'leteren's Managing Director is executive deputy chairman of the board. The board of directors of Avis Europe plc has three board committees: the audit committee, comprising three independent directors, the nomination committee and the remuneration committee, each comprising one of the directors proposed by s.a. D'leteren n.v. Listed on the London Stock Exchange, Avis Europe plc is in compliance with the provisions of the Combined Code, with a few exceptions fully disclosed in its annual report. The rights and obligations of the directors appointed on proposal of s.a. D'leteren n.v., and those of s.a. D'leteren n.v. as a shareholder, are set out in the Relationship Agreement entered into at flotation in 1997.

The **Vehicle Glass sector** comprises Belron s.a., in which D'leteren and Cobepa

own, at 31 December 2009, respectively a 77.38% and 16.35% shareholding, and its subsidiaries<sup>1</sup>. At 31 December 2009, Belron s.a. is governed by a board of directors consisting of eleven members, four of which are appointed on proposal of D'leteren, two of which are appointed on proposal of the Cobepa group, one is appointed on proposal of the founding shareholders, two are executive directors and two are independent directors<sup>1</sup>. The Managing Director of D'leteren is member of the board and chairs it. The board of directors of Belron s.a. has two board committees: the audit committee and the remuneration committee, each chaired by a director appointed on proposal of D'leteren.

### 4. REMUNERATION REPORT

#### Developing a remuneration policy and setting remuneration for the Group's non-executive directors and executive managers.

Remuneration policy for non-executive directors and for the Group's executive management is set by the Board of Directors based on recommendations put forward by the Nomination and Remuneration Committee. The subsidiaries Avis Europe plc and Belron s.a., comprising minority shareholders, have their own board of directors and remuneration committee, which determine the remuneration policy of their own non-executive directors and executive managers.

At the end of each financial year D'leteren's Nomination and Remuneration Committee examines:

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

#### Remuneration of non-executive directors

Company policy is to offer compensation at levels that will attract to the Board and retain directors with wide-ranging expertise in the various areas needed to develop profitably the Company's activities. Directors receive a fixed annual salary. Some directors also receive additional fixed remuneration for specific services such as Chairman or Vice-Chairman of the Board, or for participation in one or more Board committees. In addition, Avis Europe plc and Belron s.a. remunerate certain directors for the exercise of directorships on their boards.

The Company communicates the remuneration of its non-executive directors on a global basis. The Board believes that shareholders and investors are adequately informed if the overall cost of the collegial body of governance (except the Managing Director) formed by the Board is communicated to them, without having to know each director's individual situation.

For the year ended 31 December 2009, an amount of EUR 1,509,595 has been paid to non-executive directors by the Company and by Group subsidiaries. No other benefit or payment, 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 profile, and to motivate them by means of adequate incentives. This policy is based on criteria of external equity, measured in terms of comparable functions outside the Group, and of internal equity among colleagues within the Company.

1. Early September 2009, Cobepa exercised its put options on 16.35% of Belron's equity capital. The transaction took place on 7 February 2010, bringing D'leteren's interest in Belron from 77.38% to 93.73%. At the same date, the directors formerly appointed on proposal of the Cobepa group have been temporarily replaced by directors appointed on proposal of D'leteren subject to ratification of these appointments by Belron's Annual Shareholders' meeting.

The remuneration of the executive management comprises:

- > a fixed remuneration, consisting of a base remuneration, employer's contributions to pension schemes and other benefits;
- > a variable remuneration composed of annual premiums and of share options tied to the individual performances of the executive managers concerned related to their quantitative and qualitative objectives.

The Managing Director does not receive any remuneration for his participation in the Board of Directors.

The pension schemes are of the defined contribution type.

A target annual bonus is set at the beginning of the year. Depending on individual performance, the bonus actually paid at the beginning of the following year may vary within a range of 50% to 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, respectively, 10% and 20% of the exercise price, considering a vesting period of respectively 3 and 1 year(s).

In 2009, the total remuneration of the executive management, expressed in gross amounts and, if need be, except employers' contributions for social security, amounted to EUR 1,863,528 for the Managing Director, and EUR 1,214,602 for the other executive managers. The variable part of those remunerations represents respectively 35% and 37.4% of the total amount.

#### **D'leteren share options**

The features of the D'leteren share option schemes organized for managers of the Company were approved by the Ordinary General Meeting of 26 May 2005, which authorized the Board to organize annual share option schemes for managers of the Company with at least three years' service. These options may be exercised between 1 January of the third year following the launch date of the offer

and the end of the tenth year after this, except during the two-month periods preceding the announcement of the annual and semi-annual financial results. These options entitle the holders to acquire, with the possibility of immediate resale, existing shares of the Company at a price corresponding either to the average price during the 30 working days working 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 on the advice of the Nomination and Remuneration Committee.

Pursuant to the possibility offered by Article 21 of the Economic Recovery Act of 27 March 2009, the Board of Directors decided on 28 May 2009 to extend for a 5-year period the share option schemes of years 2003 to 2007 inclusive. Further details on the share option schemes are provided in note 37 to the consolidated accounts.

In 2009, 3,125 D'leteren share options were granted to executive managers (1,400 options to the Managing Director and 1,725 options to the other executive managers) at an exercise price per share of EUR 240.

#### **Main contract conditions concerning the departure of members of the executive management**

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

### **5. DEROGATIONS TO THE 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 are in a position to dominate the

decisions. In companies where family shareholders own a majority in the share capital, these shareholders have not, like others, the opportunity to sell their shares if they do not agree with the orientations defined by the Board. Their par or majority representation in the Board gives them the possibility to influence these orientations and thereby ensure the stability of shareholding necessary to the profitable and sustainable development of the Company. The potential risks for the corporate governance resulting from a tight control by the majority shareholder on the working of the Board can be mitigated, on the one hand, by an appropriate use of this power by the directors concerned in respect of the legitimate interests of the Company and of the minority shareholders and, on the other hand, by the durable presence of non-executive directors not representative of the family shareholding guaranteeing a real dialogue within the Board.

#### **> Derogation to principles 5.2./4, 5.3./1 and 5.4./1.**

The composition of the consultative committees of the Board, including at least one independent director, can derogate from the Belgian Corporate Governance Code which recommends the presence of a majority of independent directors.

The Board indeed considers that in-depth knowledge of the Company is at least as important as the statute of independent director.

#### **> Derogation to principle 7.8.**

The Company discloses globally the remunerations paid to Board members. The Board believes that the shareholders are adequately informed if the total cost of the Board, as a collegial governing body, is disclosed without details by 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 the family groups, there is currently only one shareholder holding more than 5%

of the capital and he is linked to each family group with whom he is acting in concert.

Those exceptions to the principles are also set out under Title 5 of the Corporate Governance Charter available on the Company's website.

## 6. EXTERNAL AUDIT

The external audit is conducted by SC BDO Delvaux, Fronville, Servais et Associés, Réviseurs d'entreprises - Bedrijfs-revisoren, represented by Gérard Delvaux and Jean-Louis Servais, until the Ordinary General Meeting in 2011.

The fees charged by the Statutory Auditor and linked companies for the work carried out in 2009 on behalf of Group Companies in connection with the compulsory control of the statutory and consolidated financial statements amounted to EUR 224,500 (excl. VAT). Further fees of EUR 21,381 (excl. VAT) were charged for non-audit missions of which EUR 12,632 for other specific assignments and EUR 8,749 for fiscal advice.

## 7. RISK MANAGEMENT AND INTERNAL CONTROL

The Directors have continued to review the effectiveness of the Group's system of controls, including operational and compliance controls, risk management and the Group's internal control arrangements. 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 activity and reports from the external auditor on matters identified in the course of its statutory audit work.

### Internal control environment

The Directors are responsible for the system of internal control and for regularly reviewing its effectiveness.

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 segregation 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.

The Group Audit Committee or the audit committees of each activity have reviewed the effectiveness of the system of internal control through the following processes:

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

The Group Audit Committee receives a regular report on the work carried out by the audit committee of each activity.

### Assessment of business risk

The Group ensures business risks, whether strategic, operational, legal, reputational, financial and environmental risks, 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.

Each activity 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 facing the Group have been identified and assessed, and that there are controls either in place or planned to manage these risks.

A summary of the principal risks facing the Group has been reviewed and approved by the Audit Committee and is provided on page 104 of this annual report.

### Internal audit

Each activity has its own internal audit and risk management function, which is independent of its external auditors and which may work with an outsourced provider, where specialist skills are required. The audit committee of each activity ensures that these functions are appropriately staffed and that their scope of work is adequate in the light of the key identified risks facing the activity. It also reviews and approves an annual internal audit plan.

The audit committee of each activity 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 the audit committee.

The role of internal audit of each activity is to:

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