Corporate Governance Statement

The Company adheres to the corporate governance principles set out in the 2009 Belgian Code of Corporate Governance published on the website www.corporategovernancecommittee.be. It has published its Corporate Governance Charter on its website (www.dieteren.com) since 1 January 2006. For the implementation of the principles of the Code, the Company took into consideration the particular structure of it's share capital, with a majority family shareholder ensuring the stability of the Company since 1805. Exceptions to the Code are set out on page 89.

1. Composition and functioning 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 upon proposal of the family shareholders;
- four non-executive Directors, three of whom being independent, chosen on the basis of their experience;
- the managing director (Group CEO).

The Chairman and Deputy Chairmen of the Board are selected among the Directors appointed upon proposal of the family shareholders. Two female directors are on the Board. At least one of them is also a member of each Committee of the Board. A search is currently ongoing in order to appoint an additional female director to the Board before the 1st of January 2019.

1.1.2. Roles and activities

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

- determine the Company's strategy and values;
- approve its plans and budgets;
- decide on major financial transactions, acquisitions and divestments;
- ensure that appropriate organization structures, processes and controls are in place to achieve the Company's objectives and properly manage its risks;
- appoint and revoke the CEO and, based on a proposal by the latter, the other members of the Executive Committee and determine their remuneration;
- monitor and review day-to-day management performance;
- supervise communications with the Company's shareholders and other interested parties;
- approve the Company's statutory and consolidated financial statements, as well as set the dividend which will be proposed to the General Meeting. 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 development, with a view to strengthen its equity capital and to maintain quality financial ratios. Absent major unforeseen events, the Board will ensure a stable and, results permitting, steadily growing dividend.

Composition of the Board of Directors (as at 31 December 2016)		Joined the Board in	End of term
Roland D'Ieteren (74)[1,2]	**Chairman of the Board** Graduate of Solvay Business School, MBA (INSEAD). Chairman and managing director of D'Ieteren from 1975 to 2005. Chairman of the Board of Directors of D'Ieteren since 2005. Honorary Director of Belron.	**1968**	**June 2017**
Nicolas D'Ieteren (41)[1,2]	**Deputy Chairman of the Board** 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 investment company.	**2005**	**June 2019**
Olivier Périer (45)[1,2]	**Deputy Chairman of the Board** Degree in architecture and urban planning (ULB). Executive Program for the Automotive Industry (Solvay Business School). International Executive, Business Strategy Asia Pacific and International Director Programs; Certificate in Global Management (INSEAD). Founding partner of architectural firm Urban Platform. Managing director of SPDG, a private holding company, since 2010. Chairman, member of the advisory board or of the supervisory board of various venture capital companies.	**2005**	**June 2019**
Axel Miller (51)	**Chief Executive Officer** Law degree (ULB). Partner at Stibbe Simont, then at Clifford Chance (1996-2001). After holding several executive positions within the Dexia Group, became Chairman of the executive committee of Dexia Bank Belgium (2002-2006) and CEO of Dexia s.a. (2006-2008). Managing Partner at Petercam from 2009 to March 2012. Chairman of the Boards of directors of Belron and Moleskine. Directorships: Carmeuse (Chairman), Spadel, Duvel Moortgat.	**2010**	**May 2018**
GEMA sprl[1]	**Non-executive Director – Permanent representative: Michel Allé (66)** Civil engineer and economist (ULB). Joined Cobepa in 1987, member of its Executive Committee (1995-2000). CFO of Brussels Airport (2001-2005). CFO of SNCB Holding (2005-2013). CFO of SNCB (2013-2015). Director of Zetes Industries and Chairman of the Board of Ogeda. Professor at ULB.	**2014**	**MaY 2018**
s.a. de Participation et de Gestion (SPDG)[1]	**Non-executive Director – Permanent representative: Denis Pettiaux (48)** Civil engineer in physics and Executive Master in Management (ULB). Member of SPDG executive committee, in charge of finance and a non-executive member of various Boards of Directors, advisory boards and investment committees. Joined Coopers & Lybrand in 1997. Until 2008, Director of PricewaterhouseCoopers Advisory in Belgium. Until 2011, Director of PricewaterhouseCoopers Corporate Finance in Paris.	**2001**	**May 2018**
Nayarit Participations s.c.a.[1]	**Non-executive Director – Permanent representative: Frédéric de Vuyst (43)** Bachelor of Law (Université de Namur), BA Business & BSc Finance (London Metropolitan, School of Business). Managing Director Corporate & Investment Banking at BNP Paribas Belgium until 2008. Integration Committee Investment Banking and Management Board Corporate & Public Bank at BNP Paribas Fortis until 2012. Since then, managing director of a private investment company.	**2001**	**May 2018**
Pierre-Olivier Beckers sprl	**Independent Director – Permanent representative: Pierre-Olivier Beckers (56)** Master in Management Sciences (LSM), Louvain-la-Neuve. MBA Harvard Business School. Career at Delhaize Group (1983-2013). Chairman of the Executive Committee and managing director of Delhaize Group (1999-2013). Chairman of the Belgian Olympic and Interfederal Committee since 2004. Member of the International Olympic Committee (IOC) and Chairman of its Audit Committee. Deputy Chairman of the FEB. Director of Guberna. Various Directorships.	**2014**	**May 2018**
Christine Blondel (58)	**Independent Director** Ecole Polytechnique (France), MBA (INSEAD). Held executive positions at Procter & Gamble and led the Wendel Centre for Family Enterprise at INSEAD, where she is Adjunct professor of Family business. Founder of FamilyGovernance, advising family businesses. Director of INSEAD Foundation.	**2009**	**June 2017**
Pascal Minne (66)	**Non-executive Director** Law degree (ULB), Master in Economics (Oxford). Former partner and Chairman of PwC Belgium (until 2001). Former Director of the Petercam group (until 2015). Chairman Wealth Structuring Committee Banque Degroof Petercam. Various Directorships. Professor of tax law at ULB.	**2001**	**May 2018**
Michèle Sioen (51)	**Independent Director** Degree in economics. CEO of Sioen Industries, a company specialised in technical textiles. Chairman of the FEB since May 2014. Director of companies, notably ING Belgium, Sofina, Fedustria and Guberna.	**2011**	**June 2019**

(1) Director appointed upon proposal of family shareholders.

(2) Roland D'Ieteren, who has reached the 75-year age limit in January 2017, announced on 19 December 2016 his decision to retire at the Annual General Meeting of 1 June 2017, in accordance with the group's rules of governance. He will be succeeded as Chairman of the Board by Nicolas D'Ieteren, with effect as from the same date. Olivier Périer will be Chairman of the Strategic Committee with effect as from the same date.

The Board of Directors meets at least six times a year. Additional meetings are held if necessary. The Board of Directors' decisions are taken by a majority of the votes, the Chairman having a casting vote in case of a tie. In 2016, the Board met 7 times. All of the Directors attended all of the meetings, except for Mrs Michèle Sioen and Mr Pascal Minne, each excused for one meeting.

1.1.3. Tenures of Directors

No new directorships were granted, nor have any directorships expired, in 2016.

1.1.4. Committees of the Board of Directors

Composition (as at 31/12/2016)	Audit Committee[1]	Nomination Committee	Remuneration Committee[1]
Chairman	Pascal Minne	Roland D'Ieteren	Roland D'Ieteren
Members	Christine Blondel[2]	Christine Blondel[2]	Pierre-Olivier Beckers[3]
	Frédéric de Vuyst[4]	Nicolas D'Ieteren	Christine Blondel[2]
	Denis Pettiaux[5]	Pascal Minne	
		Olivier Périer	

The **Audit Committee** met 5 times in 2016. Four of these meetings were held in the presence of the Auditor. All of its members attended all of the meetings.

The **Nomination Committee** met once in 2016. All of its members attended the meeting.

The **Remuneration Committee** met 4 times in 2016. All of its members attended all of the meetings.

Each Committee has reported on its activities to the Board.

Functioning of the Committees

Audit Committee

On 31 December 2016, the Audit Committee comprised of four non-executive Directors, with at least one independent Director. The Audit Committee's terms of reference primarily include the monitoring of the Company's financial statements and the supervision of the risk management and internal controls systems. The Committee reviews the auditor's reports on the half-year and annual 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. At least one specific meeting is dedicated to the supervision of the risk management and internal controls systems. The Auditor KPMG, appointed by the Ordinary General Meeting of 5 June 2014, has outlined the methodology for auditing the statutory and consolidated statements as well as the applicable materiality and reporting thresholds. 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

On 31 December 2016, the Nomination Committee comprised of 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 other members of the Executive Committee, 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 set out in Appendix II a of the Company Governance Charter available on the Company's website.

(1) Given their respective education 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) Permanent representative of Pierre-Olivier Beckers sprl. Independent Director.
(4) Permanent representative of Nayarit Participations s.c.a.
(5) Permanent representative of SPDG s.a.

Remuneration Committee

On 31 December 2016, the Remuneration Committee comprised of three non-executive Directors, including the Chairman of the Board, who chairs it, and two 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 other members of the Executive Committee, and ensures that the Company has official, rigorous and transparent procedures to support these decisions. The Committee also prepares the remuneration report and comments it during the Annual General Meeting. 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 set out in Appendix II b of the Corporate Governance Charter available on the Company's website.

Strategic Committee

The Strategic Committee meets once a month to bring together the representatives of the family shareholders, the CEO and the other members of the Executive Committee in order, amongst other, to discuss the company's activities, to examine the progress of strategic and investment projects and to prepare Board 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 or to purchase or sell goods, directly or indirectly, to or from the Company or its group 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 of the Company. They are to consult the Chairman or CEO, 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 applicable rules are complied with. 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 management, 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 group's proper governance.

The Board received the conclusions of the last triennial self-assessment of the Board and its Committees in August 2015. This self-assessment was carried out using a detailed written questionnaire sent to each Director and covering various aforementioned assessment criteria, the responses of which were gathered by a work group made out of three Directors who are members of the Nomination Committee. These Directors presented a summary of the answers to the questionnaire to the Board of Directors, and they made concrete recommendations.

1.2. GROUP EXECUTIVE MANAGEMENT

The CEO is responsible for the day-to-day management of the Company, and is assisted by an Executive Committee. On 31 December 2016, the Group Executive Committee was comprised of the Group CEO (Chairman of the Group Executive Committee), the Group CFO and the member responsible for business support and development to the group's existing and new activities. Together the members of the Group Executive Committee act collegially and are responsible, at group level for, amongst other, the monitoring and development of the group's businesses, strategy, human resources, finance, financial communication, investor relations, account consolidation, management information systems, treasury, M&A, legal and tax functions.

1.3. EXECUTIVE MANAGEMENT OF THE THREE BUSINESSES

D'Ieteren Group owns three businesses which each have their own executive management structure: the automobile vehicle distribution in Belgium (D'Ieteren Auto), Belron and Moleskine.

D'Ieteren Auto, which is an operational department of D'Ieteren SA/NV without separate legal status – is managed by the CEO of D'Ieteren Auto, reporting to the Group CEO. The CEO of D'Ieteren Auto chairs a management committee comprising six other members responsible for Retail, Finance, Operations, Research, Marketing & Training, Brands & Network Management as well as Human Resources.

Belron, of which D'Ieteren owned 94.85% on 31 December 2016, is governed by a Board of Directors consisting of 5 members: the three members of the Group Executive Committee and the CEO and CFO of Belron. The Board of Belron is chaired by the Group CEO.

Moleskine, a fully owned subsidiary of D'Ieteren since 24 January 2017, is governed by a Board of Directors consisting of 6 members: the three members of the Group Executive Committee, the CEO of Moleskine and two other senior members of the management team of Moleskine. The Board of Moleskine is chaired by the Group CEO.

1.4. EXTERNAL AUDIT

The external audit is conducted by KPMG Bedrijfsrevisoren – Réviseurs d'Entreprises, represented by Alexis Palm, whose auditing term expires at the General Meeting of June 2017.

The total fees charged by the Statutory Auditor and linked companies for the work carried out in 2016 on behalf of D'Ieteren SA/NV and linked companies amounted to EUR 5.5 million, excluding VAT. Details of the fees are included in note 42 of the 2016 Consolidated Financial Statements (page 78).

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 upon 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 activities of the Board can be mitigated, on the one hand, by the 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.

2. Remuneration Report

2.1. DETERMINATION OF REMUNERATION POLICY FOR MANAGERS AND OF INDIVIDUAL AMOUNTS

The remuneration policy for the non-executive Directors and executive management of s.a. D'Ieteren n.v. and their individual remuneration are determined by the group's Board of Directors based on the recommendations of the Remuneration Committee. Belron s.a., which has minority shareholders, and Moleskine S.p.a., listed on the stock exchange until 24 January 2017, had their own Remuneration Committees, which determined the remuneration of their non-executive Directors and executive managers. In 2017, the role of these Remuneration Committees will be taken over by the Board of Directors of the concerned companies, in consultation, where necessary, with the group's Remuneration Committee.

D'Ieteren's Remuneration Committee, which relies on the proposals of the CEO when it concerns the other members of the Executive Committee, reviews the following elements at the end of each year and submits the following to the Board for approval:

- the remuneration of the non-executive Directors for the following year;
- the variable remuneration of the members of the Executive Committee for the past year, taking into account any annual or multi-annual criteria related to the performance of the Company and/or that of the beneficiaries;
- any changes to the fixed remuneration of the members of the Executive Committee and their targeted variable remuneration for the following year, and associated performance criteria.

The Board intends to maintain this procedure for the next two years.

2.2. REMUNERATION OF NON-EXECUTIVE DIRECTORS

The Company implements a remuneration policy designed to attract and retain on the Board non-executive Directors with a wide variety of expertise in the various areas necessary for the profitable growth of the Company's activities. These Directors receive an identical fixed annual remuneration, independent of their presence at Board meetings. Some Directors are entitled to a fixed remuneration for rendering specific services such as Chairman or Deputy Chairman of the Board, for participating in one or more Board committees and, in some cases, for the provision of company cars. Some Directors receive a fixed annual remuneration from Belron s.a. for the exercise of a directorship. The total amount of these remunerations is shown in the following table. The non-executive Directors do not receive any remuneration related to the Company's performance. The CEO does not receive any specific remuneration for his participation on the Board of Directors.

For the year ended 31 December 2016, a total of EUR 1,545,028 was paid to the non-executive Directors by the Company and by the group's subsidiaries, broken down as follows. No other benefit or remuneration, loan or guarantee was granted to them by D'Ieteren or its subsidiaries.

2016 (in EUR)	Base remuneration	Specialised Committees	Total remuneration
D'Ieteren R.	430,028		430,028
D'Ieteren N.	175,000		175,000
Périer O.	175,000		175,000
P.-O. Beckers sprl	115,000[1]	20,000	135,000
Blondel C.	70,000	70,000	140,000
Gema sprl	70,000		70,000
Minne P.	70,000	80,000	150,000
Nayarit sca	70,000	30,000	100,000
Sioen M.	70,000		70,000
SPDG	70,000	30,000	100,000
Total	**1,315,028**	**230,000**	**1,545,028**

2.3. REMUNERATION OF THE EXECUTIVE MANAGERS

General principles

At 31 December 2016, the executive management team, defined as the members of the Executive Committee, was comprised of Axel Miller (President of the Executive Committee), Arnaud Laviolette and Francis Deprez[2].

The group has its own remuneration policy for attracting and retaining managers with the appropriate background and motivating them by means of appropriate incentives. This policy is based on external fairness criteria, measured in terms of comparable positions outside the group, and on internal fairness criteria between colleagues within the Company.

The policy aims to position total individual remuneration of the members of the Executive Committee around the median remuneration for positions of similar responsibility in comparable Belgian or foreign companies, as benchmarked by independent experts. The most recent benchmarking dates from January 2016.

Description of the various components

Axel Miller's managing director's contract comprises the following remuneration components:

- an 'all-in' annual fixed base remuneration of EUR 750,000, which includes benefits of all kinds related to the provision of company cars, a mobile phone and a remuneration for the exercise of Directorships in group subsidiaries;
- a variable remuneration comprising:
  - an annual variable remuneration, with a target set at approximately 50% of the fixed remuneration;
  - and a long-term incentive plan in the form of share options.

The Company also covers the contributions to disability, life insurance and pension schemes for the benefit of the managing director for an annual amount of EUR 96,674.58.

The remuneration of the other members of the Executive Committee comprises:

A. a fixed annual all-in base remuneration, consisting of benefits of all kinds related to the provision of company cars and mobile phones, and the remuneration for the exercise of directorships of the subsidiaries of the group. The Company also covers the contributions to disability, life insurance and pension schemes for the benefit of each member of the Executive Committee.

B. a variable remuneration comprising:
  - an annual variable remuneration, with a target at about 60% of the fixed short-term remuneration;
  - a long-term incentive plan in the form of share options.

1 Including remuneration from Belron
2 Joined D'Ieteren on 1 Septembre 2016

The allocation of the variable remuneration depends on the compliance with collective quantitative performance criteria (consolidated result compared with the budget, which includes all the objectives and missions approved by the Board of Directors with a view to creating long-term value) and qualitative individual (related to the job description) and collective (related to the development and execution of the group's strategy, to the development of its human and financial resources, and to the conduct of specific key projects) criteria.

The annual bonus breaks down as 50% for achieving the annual quantitative objectives, and 50% for achieving the qualitative objectives. It can vary from 0% to 150% of the target in EUR, according to the result of the annual performance appraisal.

The performance of the interested parties is assessed at the start of the year following that for which the remuneration in question is being allocated, by the CEO for the members of the Executive Committee, and by the Board for the CEO, on the recommendation of the Remuneration Committee and in accordance with the agreed performance criteria.

The long-term incentive plan for the members of the Executive Committee consists of D'Ieteren stock options, the number to be decided by the Board of Directors after a proposal by the Remuneration Committee and fixed with regard to the long-term median of remunerations for positions of similar responsibilities in comparable Belgian or foreign companies, as benchmarked by independent experts. The most recent benchmarking dates from January 2016.

The features of the D'Ieteren share option schemes are those approved by the Ordinary General Meeting of 26 May 2005. These options give the right to acquire existing shares of the Company at an exercise price that corresponds, for each plan, either to the average price over the 30 calendar days preceding the offer date, or to the closing price on the working day preceding the offer date, as decided by the Chairman of the Board of Directors on the working day preceding the launch of the plan.

These options may be exercised from 1 January of the 4th year following the date they were granted and up until the end of the tenth year following their granting, with the exception of approximately 6-week periods preceding the release of the full-year and half-year financial results. The actual exercise of the options depends on the evolution of the share price, which may allow them to be exercised after the 3-year vesting period. Additional details on the share option plans are provided in Note 35 of the consolidated financial statements.

Remuneration allocated to the Executive Committee for 2016

The following table summarises the various categories of remuneration of the Executive Committee allocated for 2016.

2016 (en EUR)	CEO[1]	Other members of the Executive Committee[1]	Total
Fixed remuneration	750,000	705,667	1,455,667
Short-term variable remuneration[2]	525,000	639,167	1,164,167
Contribution to disability, pension and life insurance	96,675	164,333	261,008

Moreover, 100,000 share options were granted to the members of the Executive Committee for the fiscal year 2016, at a strike price of EUR 31.71 (90,000 options) and EUR 38.09 (10,000 options) per D'Ieteren share, allocated as follows:

2016	Granted options	Exercised options	Expired options
Chief Executive Officer	50,000	-	-
Other members of the Executive Board			
Chief Financial Officer	40,000	-	-
Support and Development	10,000	-	-

The main contractual conditions concerning the departure of executive management and the right to claim reimbursement for all or part of the variable remuneration

Barring cases of unprofessional conduct, incapacity or gross negligence, the contracts of Executive Committee members allow for 12 months of severance pay.

The contracts of executive managers do not contain claw-back clauses that are applicable if the variable remuneration has been allocated on the basis of false information.

1 With an independent contract.
2 For the phasing of the variable remuneration, see "Description of the variable remuneration components", section B.

3. Internal controls and risk management systems

The Board of Directors performs its control duties by (i) ensuring that D'Ieteren's entities correctly perform their own control duties and that committees entrusted with special survey and control tasks (such as the Audit Committee and Remuneration Committee) are put in place and function properly and by (ii) ensuring that reporting procedures are implemented to allow the Board to follow up at regular intervals the entities' businesses, notably regarding the risks they are facing.

The Board of Directors is assisted by 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 D'Ieteren's system of controls, including operational and compliance controls, risk management and the company's internal control arrangements, has been maintained. 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.

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 organizational 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 company'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;
- implementation of action plans and audit recommendations on an annual basis;
- policies and business standards;
- country visits and discussions with local management;
- quarterly reporting to D'Ieteren's Audit Committee

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

- strengthening and reshaping of the internal control team whereby the independence of the head of internal audit is ensured with direct reporting to the Audit Committee;
- strengthening of the Corporate team;
- review of internal and external audit plans (including IT audit missions and fraud risks);
- 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 the attention of the Audit Committee;
- mapping of any significant risks identified by the company's risk management process;
- annual and multi-annual audit plans that are submitted and reviewed annually by the Audit Committee;
- discussions with management on any significant new risk areas identified by management and the internal and external audit processes;
- prioritization of the control missions based on the risk profile.

Each quarter, D'Ieteren's Audit Committee receives a 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. D'Ieteren ensures that business risks, whether strategic, operational, reputational, financial, legal or environmental, are both understood and visible as far as practicable. D'Ieteren'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 and mitigation actions. This approach forms the cornerstone of the risk management activities of D'Ieteren, the aim of which is to provide the assurance that the major risks the company 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 company faces is provided hereafter.

3.3. INTERNAL AUDIT

3.3.1. Each entity has its own internal audit function, which is independent of its external auditors and which may work in partnership with an outsourced provider, where specialist skills are required. A periodic review ensures that these functions are appropriately staffed, that their scope of work is adequate in the light of the key identified risks the entity 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 her/his independence and objectivity and helps ensure that she/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 effectiveness of control systems governing key operational processes and risks;
- provide an assessment, independent of management, of 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;
- provide a mapping of any significant risks identified by the company's risk management process.

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, changes in the fiscal regime, the rising success of car sharing and the availability of credit to potential buyers. Specific demand for the distributed makes depends on the success of models developed by their automotive suppliers (VW, Porsche, Yamaha, etc.) and their adequate pricing on the Belgian market. Demand for less polluting vehicles drives an evolution of the car park, with an increasing number of vehicles being equipped with new engines (hybrid, plug-in hybrid, electric, natural gas,…). The improved quality of cars drives down their maintenance frequency, which in turn has an impact on the sale of spare parts. Volatility of used car prices may affect residual values on buyback cars repurchased by D'Ieteren Auto from short-term car rental companies.

In the vehicle glass repair and replacement business, mild weather conditions, a reduction in the number of miles driven, improved road conditions, a reduction of average speed on roads as a result of speed limit enforcements and new technologies such as adaptive cruise control are unfavourable factors as they tend to reduce the frequency of glass breakage. Changes in insurance policies regarding glass breakage, such as an increase of deductibles may reduce demand or increase price pressure.

Moleskine faces highly fragmented competition from other players in the stationary sector and there are numerous competing products that are similar to Moleskine's notebooks. Economic downturns could have a negative impact on demand for discretionary consumer goods. Increasing digital penetration could also negatively impact demand for Moleskine's analogue products. The wholesale channel of Moleskine deals with "bricks and mortars" retail clients who are under severe pressure from online retailers. The risk is tempered by Moleskine's digital product development strategy (Moleskine+).

Sectorial 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 reactions to sudden events and provides management with a base for decisions regarding the range of products and services offered, their pricing policy 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. Strategy execution risk

The implementation of projects involves investments and financial and operational risks which could impact the results. Project management governance is set up in order to ensure the best transition possible and prevent any negative effect on the activities and results.

D'Ieteren Auto continues to implement its 2018-2020 strategy that is based on three pillars. It includes the closing and/or moving of D'Ieteren Car Centers in the Brussels region in order to improve their financial and commercial performance. D'Ieteren Auto is also putting in place a new structure for the distribution network, dividing the territory into 26 homogeneous market areas in order to improve the profitability of the independent dealers. Eventually D'Ieteren Auto is overhauling its internal structure to improve customer-centricity. This includes, for example, the roll-out of a CRM (customer relationship management) system and Digital Marketing which should enhance the customer experience.

Belron continues to implement plans to improve the operational efficiency in a number of European countries that are facing adverse market or competitive conditions. The company also increases its investment in marketing technology by upgrading its IT systems and gradually integrating digital customer tools. In addition to the above, the business is exploring a number of opportunities to extend its services into areas such as vehicle bodywork and home assistance/repair services. Such a potential diversification entails financial risks and deviates from vehicle glass repair and replacement, Belron's historic activity.

In order to maintain high growth rates, Moleskine is capitalizing on the strength of its brand and is venturing into different new initiatives, like the Moleskine Café, which require new retailing and food and beverage skills.

3.4.1.3. Brand reputation

The success of D'Ieteren's entities is closely connected with the brand image, so it is potentially exposed to certain events that may prejudice it. Any event that could have adverse effects on the brand image, whether internal (for example inability to adequately communicate the underlying values of the brands and their distinctive features) or external (for example, the dissemination by third parties of untrue or misleading information) could have a material adverse effect on the business, results and financial condition.

3.4.1.4. Trademark and intellectual property protection

D'Ieteren's businesses aim to protect their trademarks and intellectual property. The value of the D'Ieteren's businesses could be compromised however if the protection of the brand or of any other intellectual property rights associated with the products and services becomes impracticable or particularly difficult or onerous.

3.4.1.5. Business seasonality

D'Ieteren's activities may be subject to seasonal fluctuations. For example, Moleskine's sales through the B2B, e-Commerce and Retail channels are peaking in the fourth quarter of each financial year. Belron's sales benefit from frosty winters and D'Ieteren Auto's sales tend to be stronger during the first quarter of the year when the Brussels Car Show takes place.

As a result of these quarterly fluctuations, the comparisons of revenues and results of operations between different quarters within a single financial year are not meaningful and such comparisons cannot be relied upon as an indication of our future revenues or results of operations of a full year.

3.4.1.6. Sourcing risk

D'Ieteren Auto imports and distributes new cars and spare parts of the makes of the Volkswagen group. The relationship with Volkswagen has been built over close to 70 years and is formalized 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.

The vehicle glass repair and replacement business is critically dependent on the supply of vehicle glass, polyurethane and repair resin. In order to avoid that the loss of a key supplier in any of these areas significantly disrupts its operations, purchasing teams have developed a strategy to diversify sourcing and actively allocate volumes.

Moleskine's production is entirely subcontracted to producers in China, Vietnam and Europe. If Moleskine replaces one or more of its principal suppliers of raw materials, semi-finished or finished products, it may have to bear greater supply costs and charges or delays in delivery times and difficulties in maintaining its quality standards and may not be able to meet contractual obligations or retain its relationships with distributors and/or customers. To manage this risk the company avoids extreme concentration in terms of number of factories/suppliers.

3.4.1.7. Input price risk

The profitability of the activities could be impacted by rising input prices. It is not always possible to fully pass on price hikes to the customers or to offset higher input prices through hedging and efficiency measures.

3.4.1.8. Key account risk

A significant part of D'Ieteren Auto's and Belron's business is transacted with large key accounts such as businesses, 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.

The implementation of D'Ieteren Auto's Market Area Strategy whereby the Belgian market will be subdivided into 26 Market Areas which will each be led by a Market Area Leader, will result in a sharp reduction in the number of counterparts and significant increase in their size.

Even though Moleskine's business model is shifting from a predominantly wholesale business to a direct-to-consumer model, there are still risks related to the higher customer concentration with the largest distributor in the US accounting for 25% of the company's revenues in 2016. The risk is tempered however by the ongoing transition in the Wholesale channel to direct distribution (ca 52% of total Wholesale revenues) with core sales and marketing activities performed by Moleskine while demand fulfilment activities (e.g. stock management, billing and order processing, etc..) are managed by the distributor.

Each entity of D'Ieteren group undertakes actions to ensure that its relationship with key accounts remains strong. Every major account will have a dedicated manager 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.

3.4.1.9. Product/service failure risk and non-compliance with standards and regulations

Vehicles or spare parts distributed by D'Ieteren Auto may be subject to a major defect. In this case, all the technical response to such failure is organised by the Volkswagen group. Such situations may however have a negative impact on D'Ieteren Auto's reputation as importer and distributor. In order to reduce this risk, D'Ieteren Auto follows a transparent and proactive communication policy towards its customers and dealers, and organises any necessary recall actions to ensure the vehicles are compliant with regulations. D'Ieteren Auto's response to the "Emissiongate" shows that its crisis management is effective. It acted in a fully transparent and open manner while dealing with both customers and the authorities.

The technological complexity of vehicle windscreens is on the rise as Advanced Driver Assistance Systems (ADAS) such as autonomous braking, lane departure warnings, cross traffic alert, park assist and surround view are more widely adopted. This trend should intensify with the development of autonomous vehicles. ADAS uses radar, sensors and cameras that need to be calibrated correctly when a windscreen is replaced because badly fitted windscreens could adversely impact the safety of the vehicle. This could 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 compliance with standards and quality of execution, reinforce the importance of the highest fitting standards.

Moleskine closely monitors the quality of the products that are manufactured by third parties. Its products are made out of paper and/or other materials the production of which may impact the environment. Moleskine S.p.A. is actively engaged in taking every precaution possible to help safeguard the quality of the environment:

- All Moleskine notebooks are made with acid-free paper, making them environmentally friendly products;
- Moleskine creates and sells FSC-certified products;
- Moleskine produces its packaging in such a way as to keep waste to a minimum.

3.4.1.10. Loss of key personnel

Continuity of the businesses may be impaired by the loss of personnel responsible for key business processes.

Personnel retention is managed through the offering of a competitive compensation package which is regularly benchmarked against market practice, good career perspectives, regular feedback and employee satisfaction surveys. Succession planning related to 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

D'Ieteren's entities are heavily dependent on key resources such as IT systems, call centres and distribution centres. A major disaster 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 could be significant.

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, duplication of key data and systems and penetration testing for web applications mitigate the impact of a potential major system failure. Residual risk may be covered by appropriate insurance policies.

3.4.2.2. Risks related to IT projects

There are risks related to new IT and digitization initiatives. For example, Belron is introducing a new ERP system in several countries, Moleskine is implementing a new SAP system and a new e-commerce site and both Moleskine and D'Ieteren Auto are developing new CRM tools. Risks of those projects are mitigated thanks to a clear governance and support from professional service providers.

3.4.2.3. Liquidity risk

Each entity of D'Ieteren group:

- pursues its own financing strategy under supervision by the D'Ieteren's Corporate team;
- makes sure that it has a core level of long-term committed funding in place with maturities spread over a number of years and diversified sources;
- maintains a regular dialogue with debt providers and keeps them updated on the general situation of the company.

A substantial proportion of D'Ieteren's entities is financed by loans, whose availability depends on access to credit markets. Lack of availability of funds or a breach of financial covenant could result in the inability of all or part of the company to operate or may lead to a significant increase of the cost of funding.

The core funding at D'Ieteren S.A.'s level is supplemented with short-term committed and uncommitted facilities particularly to cover seasonal debt requirements.

The contribution of D'Ieteren Lease in a joint venture wholly financed by Volkswagen Financial Services, has significantly reduced the liquidity risk for D'Ieteren. D'Ieteren Auto's working capital needs decreased sharply in 2016 as the vast majority of independent dealers switched to cash payments.

Belron has refinanced its maturing bank loans through a new 5 year syndicated credit of €450 million with 10 international banks.

The acquisition of Moleskine is financed through available cash and draw-downs on existing credit facilities at the level of D'Ieteren S.A. and through a new credit facility at the level of DM Invest S.r.l., which owns 100% of Moleskine and which is 100% indirectly owned and controlled by D'Ieteren S.A.

3.4.2.4. Interest rate and currency risk

Borrowings issued at variable rates expose the company to cash flow interest rate risk whereas borrowings issued at fixed rates expose the company to fair value interest rate risk. To manage these risks, D'Ieteren is financed through a combination of both fixed and floating rate facilities possibly combined with derivatives-based hedges (see notes 17 and 18 of the Consolidated Financial Statements 2016 concerning the financial instruments that were used). Renegotiation of credit spreads and conditions when credit facilities come up for renewal, might result in less favourable terms.

Belron's international operations are exposed to foreign currency and interest rate risks. The majority of the sales are denominated in US dollars, euro and pounds. In each country where Belron has a subsidiary, revenue generated and costs incurred are primarily denominated in the relevant local currency, thereby providing a natural currency hedge. 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.

Moleskine's exposure to the risk of fluctuations in exchange rates arises from its trading activities, which may be conducted in currencies other than the euro. Revenues and costs denominated in a foreign currency may be influenced by fluctuations in the exchange rate, resulting in an impact on margins (economic risk), just as trade payables and receivables as well as cash denominated in a foreign currency may be affected by fluctuation in exchange rates, impacting the statement of comprehensive income (transaction risk). Finally, exchange rate fluctuations are also reflected in consolidated net profit and equity, given that the financial statements of several subsidiaries are prepared in a currency other than the euro and then translated (translation risk).

3.4.2.5. Impairment loss on investments

Due to the evolution of economic and trading environments, and uncertainty affecting them, D'Ieteren is facing the risk of a potential decrease in the value of its investments. If occurring, this could lead to the recognition of non-cash write-downs on shares and impairment losses in the income statement. D'Ieteren mitigates this risk by regular business review meetings with the management of the business units, periodic review of financial performance and key performance measures and regular active review of the long term financial planning and budgeting process together with the local management.

3.4.3. Other risks

3.4.3.1. Compliance risk

In geographies where D'Ieteren'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 a significant development in Data Protection legislation with substantial fines for violations.

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

D'Ieteren's reputation or assets may be affected if unethical or fraudulent activities were perpetrated by employees, customers, suppliers or agents against D'Ieteren for personal gains, or if D'Ieteren was considered jointly responsible for such acts perpetrated by third parties.

The company has 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 with separation of duties, management information, internal audit and financial controls.

4. Capital information

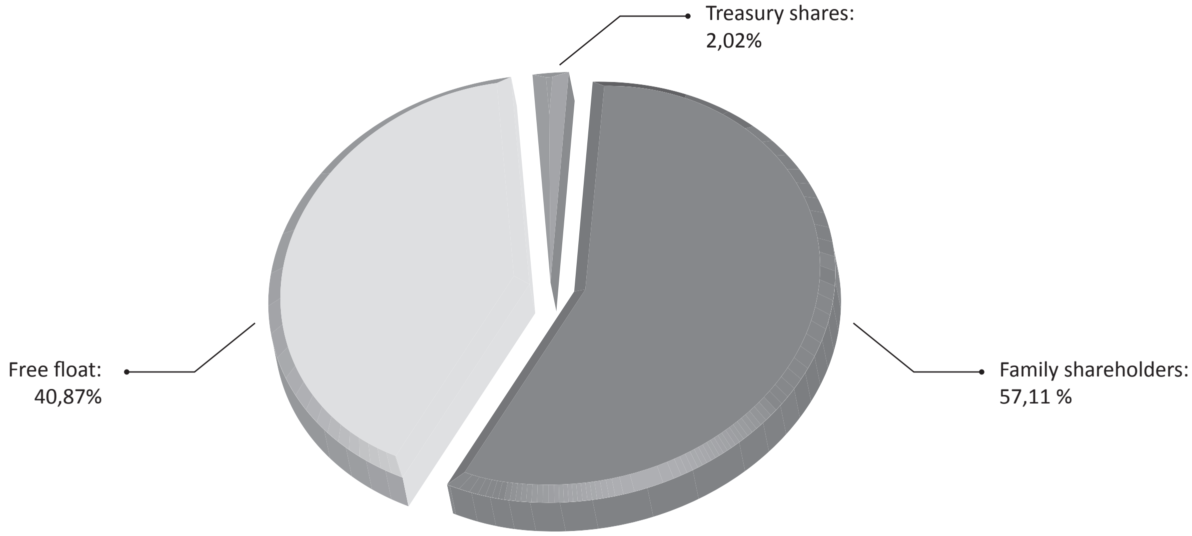
4.1. DENOMINATOR

At 31 December 2016	Number	Related voting rights
Ordinary shares	55,302,620	55,302,620
Participating shares	5,000,000	5,000,000
Total		**60,302,620**

4.2. SHAREHOLDING STRUCTURE

At 31 December 2016	In share capital	In voting rights
Family shareholders	**57.11%**	**60.66%**
of which Nayarit Group	31.99%	35.56%
of which SPDG Group	25.11%	25.10%
Treasury shares	**2.02%**	**1.86%**
Free float	**40.87%**	**37.48%**

Note: On 11 July 2016, D'Ieteren received a transparency notification indicating that MFS Investment Management held, following the sale of shares on 21 April 2016, 4.94% of the voting rights of the Company. MFS Investment Management therefore crossed downwards the lowest threshold of 5%.



4.3. DISCLOSURE OF SIGNIFICANT SHAREHOLDINGS (TRANSPARENCY LAW)

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 latest notification received by the Company (on 11 July 2016, see note above) is presented in Note 28 (see page 62).

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

4.4. ELEMENTS THAT CAN HAVE AN INFLUENCE IN CASE OF A TAKEOVER BID ON THE SHARES OF THE COMPANY

In accordance with Article 74 § 7 of the Law of 1 April 2007 on takeover bids, the Company received on 20 February 2008 a notification from the Nayarit group (whose members are listed in Note 28 of the Consolided Financial Statements, page 62), which mentions that, either separately or acting in concert with other people, on 30 September 2007, this group held more than 30% of the voting shares issued by the Company. This notification remains relevant at the date of this report.

The Extraordinary General Meeting of 5 June 2014 renewed the authorisation to the Board to:

- increase the share capital in one or several times by a maximum of EUR 60 million. 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;
- 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 mentioned 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 authorisations given to the Board of Directors according to the previous paragraphs, the Extraordinary General Meeting of 5 June 2014 also 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 FSMA within a 3-year period as from the decision of the General Meeting – to capital increases by contribution in kind or in cash, as the case may be, **without the preferential subscription right of shareholders**;
- 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.

Finally, the Extraordinary General Meeting of 5 June 2014 approved the renewal of the 5-year authorization granted to the Board to purchase own shares under the legal conditions, notably to cover stock option plans for managers of the Company.

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

The **change of control clauses** included in the credit agreements concluded in 2015 with financial institutions were approved by the General Meeting of shareholders of 26 May 2016, in accordance with article 556 of the Company Code.