Corporate governance statement

In 2019, the Company adhered to the principles laid out in the 2009 Belgian Code of Corporate Governance ("Code 2009"), which is available at www.corporategovernancecommittee.be. Since 1 January 2020, the Company adheres to the new 2020 version of the Code, also available on the same site. Since 1 January 2006, the Company publishes its Governance Charter on www.dieteren.com. When applying the principles of the Code, the Company takes however into consideration the specific shareholder structure of the Company, whose stability has been ensured by the majority family shareholding since 1805. Exceptions to the 2009 Code are set out on page 101.

1. Composition and Functioning of the Board and Executive Management 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;
- five non-executive Directors, four of whom are independent, chosen on the basis of their experience;

The Chairman and Deputy Chairmen of the Board are selected among the Directors appointed upon proposal of the family shareholders. Four female directors sit on the Board.

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 concerning the Group and its main subsidiaries;
- ensure that appropriate organization structures, processes and controls are in place to achieve the Company's objectives and manage the associated risk;
- appoint the directors proposed by the Company to the Boards of the main subsidiaries;
- appoint and revoke the CEO and, based on a proposal by said CEO, the other members of the Executive Committee and the CEOS of the Group's activities, and determine their remuneration;
- monitor and review day-to-day management performance;
- supervise communications with the Company's shareholders and the 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 on 31 December 2019		Joined Board in	end of mandate
Nicolas D'Ieteren (44)[1]	**Chairman of the D'Ieteren Board of Directors, Chairman of Belron Group SA** 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 Nayarit.	2005	June 2024
Olivier Périer (48)[1]	**Deputy Chairman of the Board and Chairman of the Strategic Committee** Master's degree in architecture and urban planning (ULB). Executive Programme for the Automotive Industry (Solvay Business School). International Executive, Business Strategy Asia Pacific and International Directors Programmes; Certificate in Global Management (INSEAD). Founding partner of the architectural firm Urban Platform. Managing director of SPDG, a private holding company, since 2010. Chairman, member of advisory or supervisory boards of various venture capital companies.	2005	June 2023
Christine Blondel (61)	**Independent Director** Ecole Polytechnique (France), MBA (INSEAD). Management Consultant at Procter & Gamble from 1981 to 1984, Director at the Wendel International Centre for Family Enterprise at INSEAD (until 2007), Adjunct professor at INSEAD and Nova (Portugal). Advisor to family businesses.	2009	June 2021
CB Management	**Independent Director– Permanent representative: Cécile Bonnefond (64)** MBA European Business School & Senior Executive Program IMD Lausanne. Danone (1979-1984), Kellogg's (1984-1994), Diageo-Foods/Sara Lee (1995-2001). LVMH: CEO of Veuve Clicquot (2001-2008), Bon Marché (2009-2010). President and co-investor at Piper & Charles Heidsieck champagnes (2011-2015). Since 2015, sits on boards of listed and family-run companies. Consultant for BPI France.	2018	June 2022
Sophie Gasperment (55)	**Independent Director** Graduate of ESSEC and Insead. Joined L'Oréal in 1986. Became General Manager at L'Oreal UK in 2000 and then Executive Chairman and CEO of The Body Shop International. International Trade Advisor from 2005 to 2013. In 2014, became Group General Manager of Financial Communication & Strategic Prospective for the L'Oréal Group. Since 2019, Independent Director (other mandates: Accor, Cimpress and Kingfisher plc), Senior advisor to the BCG, and Angel investor.	2018	June 2022
GEMA sprl[1]	**Non-executive Director – Permanent representative: Michel Allé (69)** 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 Elia and Chairman of the Boards of EPICS Therapeutics and DIM3. Professor at ULB.	2014	June 2022
Pascal Minne (69)	**Non-Executive Director** Law degree (ULB), Master in Economics (Oxford). Former partner and Chairman of PwC Belgium (until 2001). Director of the Petercam group until 2015. Various Directorships. Emeritus Professor at ULB.	2001	June 2022
Nayarit Participations s.c.a.[1]	**Non-Executive Director – Permanent representative: Frédéric de Vuyst (46)** 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. Head of Business Development Investment Banking et Management Board Corporate Banking at BNP Paribas Fortis until 2012. Since then, CEO at Nayarit Participations and various directorships.	2001	June 2022
Pierre-Olivier Beckers sprl	**Independent Director – Permanent representative: Pierre-Olivier Beckers (59)** 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. Chairman of the Coordinating Committee for the 2024 Paris Olympics. Various directorships. Advisor to and investor in various recently-formed companies.	2014	June 2022
s.a. de Participation et de Gestion (SPDG)[1]	**Non-executive Director – Permanent representative: Denis Pettiaux (51)** 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	June 2022
Michèle Sioen (54)[1]	**Non-Executive Director** Degree in economics. CEO of Sioen Industries, a listed company specialised in technical textiles. Honorary Chairman of the FEB. Various Directorshipsof Belgian companies, notably Immobel, Sofina, Fedustria and Guberna.	2011	June 2023

(1) Director appointed upon proposal of family shareholders.

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The Board of Directors meets at least six times a year. Additional meetings are held occasionally 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 2019, the Board met 11 times.. All Directors attended the meetings that were fixed in advance, as well as the more occasional meetings with the exception of: Mr Pierre-Olivier Beckers, Mrs Christine Blondel, Mrs Cécile Bonnefond, Mrs Sophie Gasperment, and Mr Pascal Minne, who were all excused for one meeting, and Mrs Michèle Sioen, who was excused for three meetings.

1.1.3. Tenure of Directors

The mandate of Mr Nicolas D'Ieteren was renewed for a period of 5 years at the AGM of 6 June 2019, and the mandates of Mr Olivier Périer and Mrs Michèle Sioen were renewed at the same AGM for a period of 4 years.

1.1.4. Committees of the Board of Directors

Composition (at 31/12/2019)	Audit Committee[1]	Nominations and Remuneration Committee [1]
Chairman	Pascal Minne	Nicolas D'Ieteren
Members	Christine Blondel[2]	Pierre-Olivier Beckers[3]
	Frédéric de Vuyst[4]	Christine Blondel[2]
	Denis Pettiaux[5]	Sophie Gasperment[2]
		Olivier Périer

(1) Given their respective education and management experience in industrial and financial companies, the members of the Audit Committee and the members of the Nominations and Remuneration Committee, possess the expertise required by law in accounting and audit 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.

The Audit Committee met 5 times in 2019. These meetings were held in the presence of the Auditor. All of its members attended all of the meetings.

The Nominations and Remuneration Committee met 4 times in 2019. All of its members attended all of the meetings.

The Strategic Committee met 10 times in 2019.

Each Committee reported on its activities to the Board.

1.1.5. Functioning of the Committees

Audit Committee

On 31 December 2019, the Audit Committee was comprised of four non-executive Directors, of which one independent Director. The Audit Committee's primary role is to monitor the Company's financial information and supervise the risk management and internal controls systems of the Company and its main entities. The Committee reviews the auditor's reports on the half-year and annual financial statements of the Company, of Belron and of Moleskine. 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 1 June 2017, 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 Governance Charter published on the Company's website.

Nominations and Remuneration Committee

On 31 December 2019, the Nominations and Remuneration Committee was comprised of five Directors, including the Chairman of the Board, who presides over the meetings, the Deputy Chairman and three independent Directors.
The missions of the ARC are as follows:

- To make 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 the CEOs of the Group's main entities, and ensure that the company has official, rigorous and transparent procedures to support these decisions.
- To make 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 the CEOs of the Group's main entities, and ensure that the company has official, rigorous and transparent procedures to support these decisions.

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- To regularly review the procedures, principles and policies relating to the appointment and remuneration of managers in the Group's main activities and the Corporate team, and to coordinate with the Nominations and Remuneration Committees that already exist within the Group's main entities
- .To prepare the remuneration report and comment on it during the Annual General Meeting

The Committee meets at least four times 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 of the Governance Charter available on the Company's website.

Strategic Committee

The Strategic Committee, which became a specialised Committee of the Board on 28 February 2019, meets at least once a month and brings together the Chairman and Deputy Chairman of the Board, two Directors representing the family shareholders and the Group CEO. The other members of the Executive Committee are permanent members. At the level of the Group and its subsidiaries, the Committee's mission is to consider the Group's development priorities, , to analyse the long-term strategies and objectives of the Group, to examine the progress of strategic projects, to analyse future investments and divestments, to monitor progress of the Group's businesses, and to prepare strategic points for discussion at Board meetings. The Committee's Charter, adopted by the Board, is set out in Appendix III of the Company's Governance Charter available on the Company's website.

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 the Group 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 and its Committees underwent a new evaluation during the first quarter of 2019. This process was conducted with the help of an outside professional who interviewed all Directors and members of the Executive Committee. A summary of the interviews was presented to the Board along with clear recommendations for the Board's consideration.

1.2. GROUP EXECUTIVE MANAGEMENT

The members of the Executive Committee are responsible for the day-to-day management of the Company. On 31 December 2019, the Group Executive Committee was comprised of the Group CEO (Chairman of the Group Executive Committee) and the Group CFO.

Composition of the Executive Committee on 31 December 2019		Start of mandate
Francis Deprez (54)	Chairman of the Executive Committee and CEO Diploma in Applied Economic Sciences (UFSIA Anvers) and Master's in Business Administration (Harvard Business School). Associate (1991-1998) and Partner (1998-2006) at McKinsey & Company Belgium. In the Deutsche Telekom Group, served as Managing Director of the Center for Strategic Projects (2006-2011), Chief Strategy and Policy Officer of Deutsche Telekom AG (2007–2011), member of the Supervisory Boards of T-Mobile International (2007-2009) and of T-Systems International (2008-2011), Chief Executive Officer of Detecon International Gmbh (2011-2016). Directorships at Belron and Moleskine.	2019 (CEO) 2016 (as a member of the Executive Committee)
Arnaud Laviolette (58)	Member of the Executive Committee – Chief Financial Officer Master in Economic Sciences (UCL). Worked in banking for almost 25 years, head of Corporate Finance, Corporate Clients and Board member at ING Belgique until 2013. Investment manager at GBL from 2013 to June 2015. Directorships at Belron and Moleskine. External Director at Rossel.	2015

The members of the Group Executive Committee act collegially. At the Group level, they are in charge of origination, monitoring and developing the Group's activities in terms of strategy, human resources, finance, financial communication, investor relations, accounting consolidation, treasury, M&A, Sustainability and legal and fiscal matters.

1.3. EXECUTIVE MANAGEMENT OF THE FOUR BUSINESSES

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

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, Brands & Network Management, New Mobility and Human Resources & Campus.

Belron, of which D'Ieteren owned 54.85% of the voting rights on 31 December 2019, has a Board of Directors consisting of 6 members: 3 who are appointed by the Company, 2 appointed by CD&R (minority shareholder in Belron) and the CEO of Belron. The Belron Board of Directors is chaired by the Chairman of the Company's Board.

Moleskine, a fully-owned subsidiary of D'Ieteren, is governed by a Board of Directors consisting of 6 members: 4 appointed by the Company and the Moleskine CEO and CFO.

D'Ieteren Immo, a 100% subsidiary of D'Ieteren, is managed by a Board comprised of 4 Directors: 3 appointed by the Company and the CEO of D'Ieteren Immo.

1.4. EXTERNAL AUDIT

The external audit is conducted by KPMG Réviseurs d'Entreprises, represented by Alexis Palm, whose mandate to audit the statutory and consolidated accounts for 2017, 2018 and 2019 was renewed at the General Meeting of 1 June 2017.
The total fees charged by the Statutory Auditor and linked companies for the work carried out in 2019 on behalf of D'Ieteren SA/NV and linked companies amounted to EUR 4,2 million, excluding VAT. Details of the fees are included in the annexe of the 2019 Consolidated Financial Statements (page 71).

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 taken by the Board of Directors. 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, 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. Diversity

D'Ieteren aims to put diversity at the heart of its Board and Executive Committee. This means having directors who differ in terms not only of their background, education, age and gender, but also in their independence, experience and professional expertise. Such diversity will ensure a range of perspectives, insights and the critical thinking that are essential to enabling efficient decision-making and good governance. Enhancing diversity at the Board and Executive Committee levels also increases the pool of potential candidates and helps to attract and retain talent.

The Nominations and Remuneration Committee reviews and assesses the composition of the Board of Directors and the Executive Committee, and advises the Board on the appointment of new Board members and Executive Committee members, as well as the renewal of any existing mandates. During this process, the Nominations and Remuneration Committee considers candidates on merit, without losing sight of the need for diversity (including criteria such as background, education, age, gender, independence (for potential Board members), professional skills, length of service and differing professional and personal experience).

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In terms of gender diversity, the Board of Directors aims to comply with legal requirements by having at least one third of the underrepresented gender on the Board[1]. This target was achieved on 31 May 2018 with the nomination of two new female directors. The Board currently has 11 members, four of whom are women.

Reference is made to section 1 of the Corporate Governance Statement regarding other diversity criteria (age, length of service, education and professional experience) in relation to the members of the Board of Directors and the Executive Committee as of 31 December 2019.

3. Remuneration report

3.1. DETERMINATION OF REMUNERATION POLICY AND INDIVIDUAL AMOUNTS FOR MANAGERS

The policy and the individual remuneration of the Company's non-executive Directors and executive management of the company are determined by the group's Board of Directors based on the recommendations of the Nominations and Remuneration Committee.

D'Ieteren's Nominations and 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 two years following the year under review. Certain elements of the Executive Committee members' remuneration will be reviewed for the years 2020 and beyond in order to ensure compliance with Belgium's updated 2020 Corporate Governance Code.

3.2. 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, or for participating in one or more Board committees. 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.

For the year ended 31 December 2019, a total of EUR 1,350,000 was paid to the non-executive Directors by the Company, broken down as illustrated in the table below. No other benefit or remuneration, loan or guarantee was granted to them by D'Ieteren or its subsidiaries.

2019 (in EUR)	Base remuneration	Specialised Committees	Total remuneration
D'Ieteren N.	250,000	All in	250,000
Périer O.	200,000	All in	200,000
P.-O. Beckers sprl	70,000	35,000	105,000
Bonnefond C.	70,000		70,000
Blondel C.	70,000	70,000	140,000
Gaspermont S.	70,000	35,000	105,000
Gema (M. Allé)	70,000		70,000
Minne P.	70,000	60,000	130,000
Nayarit (de Vuyst)	70,000	35,000	105,000
Sioen M.	70,000		70,000
SPDG (D. Pettiaux)	70,000	35,000	105,000
Total	**1,080,000**	**270,000**	**1,350,000**

[1] The required number is rounded up to the nearest whole number.

3.3. REMUNERATION OF THE EXECUTIVE MANAGERS

General principles

At 31 December 2019, the executive management team was composed of members of the Executive Committee, namely Francis Deprez (CEO) and Arnaud Laviolette (CFO). Francis Deprez, who was already a member of the Executive Committee, was appointed CEO on 1 July 2019.

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

The CEO contract of Francis Deprez, applicable from 1 July 2019, comprises the following remuneration components:
- an 'all-in' annual fixed base remuneration of EUR 700,000, which includes benefits of all kinds related to the provision of company cars and a mobile phone;
- a variable remuneration comprising:
    - an annual variable remuneration, with a target set at approximately 70% 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 CEO for an annual amount of EUR 115,000.

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

- a fixed annual all-in base remuneration, consisting of benefits of all kinds related to the provision of company cars and mobile phones.
- a variable remuneration comprising:
    - an annual variable remuneration, with a target at about 60% of the fixed short-term 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 members of the Executive Committee.

As regards the phasing of the payment of the components of this variable remuneration over time, the Company complies with the legal requirements in terms of relative proportions relating to:
- the target annual variable remuneration, which shall not exceed 50% of the total variable remuneration and which, adjusted according to whether performance criteria have been met, is paid at the beginning of the year following that in which the services were provided;
- the long-term variable remuneration granted in the form of share options, which can be exercised at the earliest from the fourth year following the year in which they were allocated.

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 can vary from 0% to 150% of the target in EUR, depending on the result of the annual performance appraisal.

At the start of the year after that for which the remuneration in question is being allocated, the performance of the interested parties is assessed by the Board, on the recommendation of the Nominations and Remuneration Committee, and upon proposal by the CEO when it concerns the other members of the Executive Committee, 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 Nominations and Remuneration Committee.

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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 1-month 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 from the beginning of the exercise period. Additional details on the share option plans are provided in note (???) of the consolidated financial statements.

Remuneration allocated to the Executive Committee for 2019

The following table summarises the various categories of Executive Committee remuneration allocated for 2019.

2019 (in EUR)	CEO (1)	Other members of Executive Committee (2)	Total
Fixed remuneration	552,350	822,518	1,374,868
Short-term variable remuneration (2)	300,000	593,000	893,000
Contribution to disability, pension and life insurance	86,250	183,500	269,750

(1) The remuneration of the CEO includes all remuneration paid to (i) the former group CEO up to 7 April 2019 and (ii) to the new group CEO from 1 July 2019.
(2) The remuneration of the other members of the Executive Committee includes the remuneration paid to the new group CEO prior to his appointment on 1 July 2019.

Moreover, 130,000 share options were granted to the members of the Executive Committee for the fiscal year 2019, at strike price of EUR 33.19 per D'Ieteren share, allocated as follows:

2019	Granted options
Axel Miller (former CEO)	50,000
Francis Deprez (new CEO)	40,000
Arnaud Laviolette (CFO)	40,000

Details of the share options belonging to members of the Executive Committee that were exercised or expired during 2019 can be found in note [xx] of the consolidated financial statements.

A severance payment of EUR 1,850,000 was granted to the former CEO on his departure on 8 April 2019. The payment amounts to less than 18 months of remuneration (including fixed remuneration, short-term variable remuneration and contributions to disability, pension and life insurance). This sum is justified based on comparable market practices and the good performance of the Company in the period when he was CEO.

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.

At 31 December 2019, these contracts do not contain claw-back clauses that are applicable if the variable remuneration has been allocated on the basis of false information.

4. Internal controls and risk management systems

D'Ieteren and its activities operate in a constantly changing environment which exposes them to multiple risks.
In order to protect their reputation while ensuring sustainable success and the achievement of corporate targets, D'Ieteren and its activities have in place comprehensive risk management and internal control systems which:

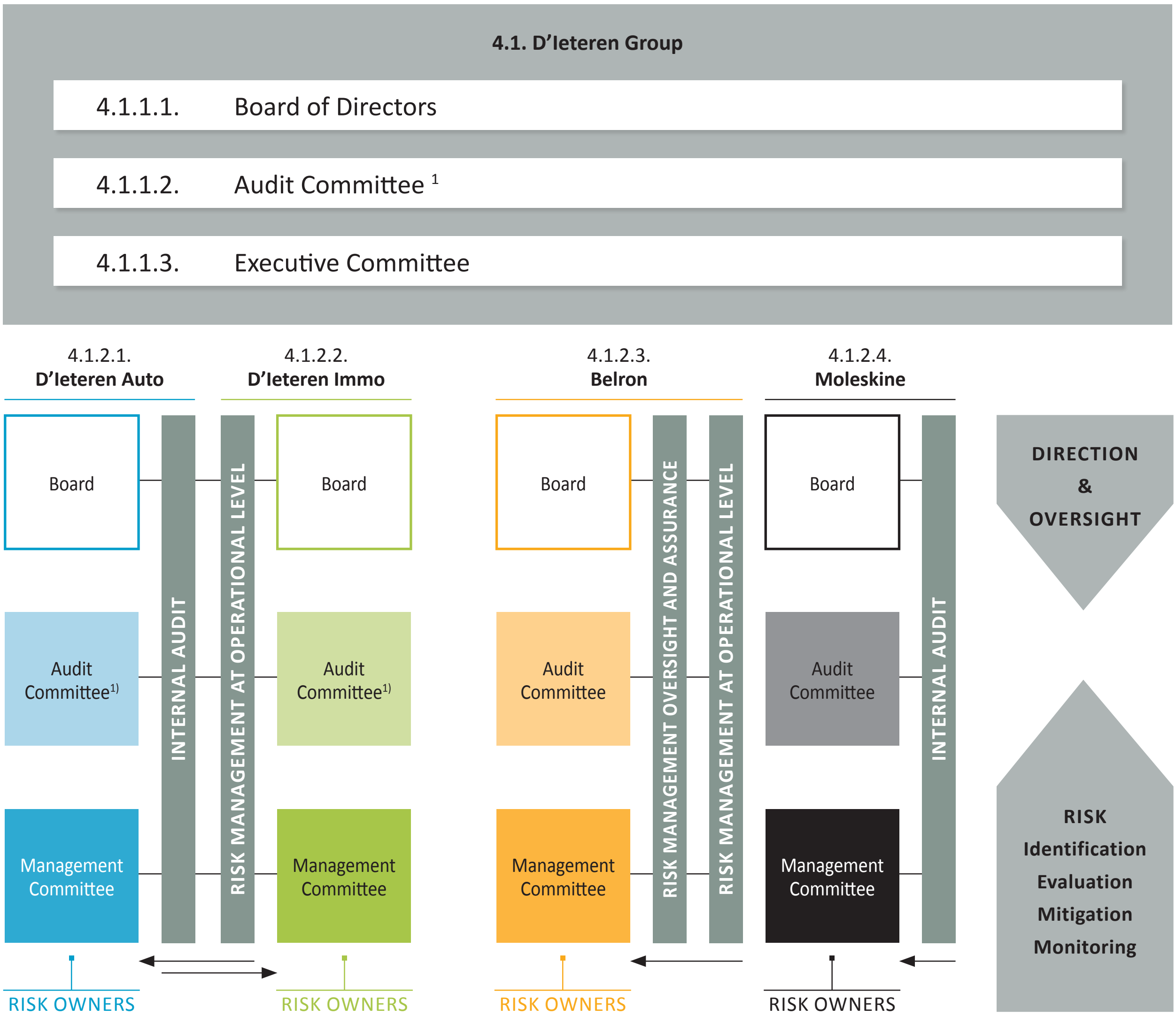
- Identify risks at an early stage;
- Assess the probability and potential impact of the risks;
- Put mitigating measures in place.

We manage our risks following the principle of three lines of defence:

- At the operational level of each activity;
- Risk management, compliance & legal;
- Internal Audit.

4.1. RISK MANAGEMENT GOVERNANCE STRUCTURE AND RESPONSIBILITIES

The organizational structure at the level of D'Ieteren and the activities ensures the appropriate delegation of authorities to management and a separation of duties.



1 D'Ieteren Group, D'Ieteren Auto and D'Ieteren Immo have the same Audit Committee.

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4.1.1. D'Ieteren

4.1.1.1. Board of Directors

The Board performs its control duties by (i) ensuring that D'Ieteren's activities 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 (ii) ensuring that reporting procedures are implemented to allow the Board to follow up the entities' activities at regular intervals, notably regarding the risks they face.

4.1.1.2. Audit Committee

The Board of Directors is assisted by the Audit Committee in the exercise of its control responsibilities for the company's entities, in particular with respect to the financial information distributed to shareholders and to third parties and the monitoring of the different risk management and internal control mechanisms.

The Group Audit Committee receives regular reports on the work carried out by the Audit Committees of each activity before itself reporting to the Board.

The independence of the head of Internal Audit is ensured by direct reporting to the Audit Committee and CFO.

4.1.1.3. Executive Committee

The members of the Executive Committee act collegially and are responsible for, amongst other, monitoring of the Group's businesses, strategy, human resources, financial communication, investor relations, account consolidation, management information systems, treasury, M&A, legal and tax matters.

4.1.2. At the level of the activities

4.1.2.1. D'Ieteren Auto

D'Ieteren SA is the legal entity of D'Ieteren and D'Ieteren Auto. D'Ieteren Auto's Board of Directors meets at least quarterly. The Audit Committee, which is the same for D'Ieteren and D'Ieteren Auto convenes every quarter.

Divisional directors are responsible for risk management on a day-to-day operational level. D'Ieteren Auto's import operations are certified by ISO 9001:2015.

4.1.2.2. D'Ieteren Immo

The real estate assets and operations of D'Ieteren Auto are grouped under a single legal entity (D'Ieteren Immo SA). It has its own Board of Directors and Management Committee. It has no specific Audit Committee.

4.1.2.3. Belron

Belron uses the '3-Lines of Defence' model to manage business and financial risk:

- 1st Line - Business Units performing regular internal control activities;
- 2nd Line - Oversight and standard setting functions at Belron level;
- 3rd Line - Independent Assurers, including external auditors.

The 3-Line model, which provides the framework for risk management activities throughout Belron, is supported by Risk Management Programmes which are used by each Business Unit to assess and benchmark the management of the main risks.

4.1.2.4. Moleskine

Moleskine's risk management relies on the following organizational model aimed at ensuring adequate identification, measurement, management and monitoring of the main risks:

- Risks are monitored by the Audit Committee, which met four times in 2019. The Audit Committee is chaired by D'Ieteren's CFO and it includes Moleskine's CFO, other ad-hoc members (both from Moleskine and from D'Ieteren Group) and Moleskine's Internal Audit Manager as permanent observer. The Committee approves the Risk Map prepared by the Internal Audit Manager after having gathered inputs from the leadership and the shareholder's representatives;
- The Internal Audit plan, also approved by the Audit Committee, refers to the Risk Map in planning its activities. The results of the monitoring activities are contained in the Audit reports to the Audit Committee. The Internal Audit Manager reports hierarchically to Moleskine's CFO who is also a member of the Board;

- In addition to the internal model, Moleskine has also an external Supervisory Body that oversees the functioning of and the compliance with the "Organizational, Management and Control Model" adopted to prevent crimes provided for in the Legislative Decree no. 231/2001;
- The outcome of the Supervisory Body's activities is summarized every six months in a report sent to Moleskine's Board of Directors. The Supervisory Body is composed of three members of which two externals and Moleskine's Internal Audit Manager.

4.2. RISK MANAGEMENT PROCESS

4.2.1. Risk identification/mapping

Each activity identifies its key business and financial risks by assessing factors that could have an adverse impact on the future operations and financial returns of the business. External and operational risk factors are assessed in terms of the scale of their impact and the probability of their occurrence, with particular attention given to the most important ones. Risks are categorised as Governance/Compliance, Strategic, Operational or Financial.

Each activity conducts an annual risk review and updates its risk register to reflect the impact of each risk and the measures proposed to mitigate them. This approach forms the cornerstone of D'Ieteren's risk management activities, which aims to ensure that the major risks faced by the Group have been identified and assessed, and that there are controls either in place or planned to manage them.

The process includes the review of internal and external Audit plans (including IT Audit missions and fraud risks), strategic plans, annual budgets and monthly financial results and key performance indicators. The adoption of accounting procedures ensures the consistency, integrity and accuracy of the company's financial records.

4.2.2. Review and execution of mitigating plans

Following the annual risk review process, measures are implemented to mitigate the identified risks and control missions are prioritized based on the risk profile. The execution of the plans is supervised by Internal Audit teams.

Mitigating actions include for instance the regular reporting and review of all significant treasury transactions and financing activities, procedures for the authorisation of capital expenditure, country visits and discussions with local management. Some risks are mitigated by environmental and social actions initiated by the activities.

4.2.3. Reporting

The Internal Audit Managers of Moleskine and D'Ieteren Auto report regularly to their respective Audit Committees. At Belron, the outcome of the work carried out to assess the effectiveness and efficiency of risk management practices across the company is reported to both local and regional management and to the Belron Audit Committee, which meet regularly during the year.

Reporting includes an assessment of the mitigating actions and recommendations. The Chairmen of the Audit Committees present the risk management report to their Board. Control issues that arise from internal and external audits together with any additional matters are brought to the attention of the Audit Committees.

At the Group level, the Head of Internal Audit reports on a quarterly basis to the Audit Committee.

4.3. MAIN RISKS

4.3.1. D'IETEREN

Governance/compliance

GOVERNANCE

Risk of deficient governance (management, functioning of the committees, decision-making process and/or risk management).

POTENTIAL IMPACT

Failure to achieve long-term strategic objectives. Failure to comply with applicable laws and regulations. Adverse financial and reputational impact, claims and fines.

MITIGATING ACTIONS

D'Ieteren adheres to the Belgian Code of Corporate Governance while taking into account the unique structure of its share capital, with family shareholders owning the majority of the shares. The Corporate Governance Charter provides clear guidelines for the decision-making process and delegation of authority.

Governance/compliance

LISTING AND COMMUNICATION

Risk that laws and regulations governing listed companies are breached. D'Ieteren is subject to regulations related to communication, financial reporting, transparency, insider trading and corporate governance (see previous risk).

Risk related to volatility on the equity markets.

POTENTIAL IMPACT

A drop in D'Ieteren's share price and market capitalization.

Significant fines if laws or regulations are breached. Loss of confidence on the part of investors and analysts.

MITIGATING ACTIONS

The consolidation process is based on a centralized accounting software to ensure consistency across the participations. D'Ieteren's Consolidation team checks that the financial figures of its activities present a complete, accurate and reliable reflection of their financial performance and position.

The financial reports and press releases related to the full year and half-year results are reviewed by Executive Committee members, the Audit Committee, the external auditor and the Board of Directors prior to publication.

Strategic

CAPITAL ALLOCATION

Risks related to capital allocation decisions (investments in existing operations, acquisitions/ disposals, dividend policy, share buybacks). Risks related to the timing of those decisions. The availability of investment/ divestment opportunities is subject to macroeconomic and market conditions.

Climate changes could significantly impact some businesses in the future hereby impacting capital allocation decisions.

POTENTIAL IMPACT

Disappointing shareholder value creation and share price underperformance. Loss of confidence on the part of investors and analysts.

Write-downs and impairment losses in the income statement.

MITIGATING ACTIONS

D'Ieteren is a family of businesses with a long-term focus. D'Ieteren aims at full control, a majority stake or the option to gain a majority stake in its participations. Every material investment is subject to an in-depth due diligence. which is reviewed by an Investment Committee, the Strategic Committee and the Board.

D'Ieteren started to include an ESG analysis as part of the due diligence process.

D'Ieteren's Executive Committee members are board members at the level of the participations.

Financial

LIQUIDITY AND TAXES

Risks arising from a lack of financial resources.

Risks related to fiscal regulations.

POTENTIAL IMPACT

Insufficient financial resources may hamper the implementation of D'Ieteren's investment strategy.

MITIGATING ACTIONS

D'Ieteren invests in activities while maintaining a solid financial structure. D'Ieteren's activities are financed independently through non-recourse debt. In other words, D'Ieteren does not provide guarantees for the benefit of its participations.

At the end of 2019, D'Ieteren's (excluding Belron, D'Ieteren Auto and Moleskine) net cash position amounted EUR 1,516.4 million (post IFRS 16).

Financial flexibility is ensured through a prudent cash management policy.

Control processes for tax regulation compliance include internal reviews and external audits.

Governance/compliance

4.3.2. D'IETEREN AUTO

ORGANIZATION

Risks related to deficient governance (e.g. corporate organization, functioning of the committees, decision-making process and risk management). Deficient governance could lead to inadequate decisions and failure to comply with applicable laws and regulations.

POTENTIAL IMPACT

Adverse reputational and financial impact including claims and fines.

Failure to achieve targets when major decisions are taken without being adequately challenged/ authorized.

MITIGATING ACTIONS

Governance policies are widely communicated and their application is audited. Clear allocation of responsibilities and decision-making power (e.g. at the level of D'Ieteren Auto versus D'Ieteren).

Governance/compliance

ETHICS

Risk that unethical behaviour (inside or outside the company) may harm the company and/or third parties.

POTENTIAL IMPACT

A breach of legal provisions and unethical behaviour (e.g. disrespect for human rights, discrimination, corruption, fraud and conflicts of interest) could seriously damage D'Ieteren Auto's reputation and results. Disrespectful and inappropriate behaviour may also have a negative impact on the working atmosphere.

MITIGATING ACTIONS

D'Ieteren Auto's code of conduct ("The Way We Work") covers amongst other the behaviour in the workplace, health and safety, conflicts of interest, communication with the public, confidentiality, gifts/entertainment and the relationship with suppliers.

Preventive measures are in place including psychosocial risk detection and reporting.

The first phase of 'Leading the D'Ieteren Auto Way', which aims to reinforce the corporate values, has been launched in 2019 at the level of the management committees. It will be implemented throughout the organisation in 2020-2021.

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Governance/compliance

COMPETITION LAW

Risks related to breaches of European and Belgian competition laws that prohibit anticompetitive practices (e.g. agreements between two or more independent market operators which restrict competition) and the abuse of dominance. Anti-competitive practices include vertical agreements (factories-importer-dealer) and horizontal agreements (between competitors).

POTENTIAL IMPACT

An infringement of competition law could result in legal proceedings, fines up to 10% of consolidated revenues and damages to affected competitors. It may also severely harm D'Ieteren Auto's reputation and result in the loss of distribution contracts.

MITIGATING ACTIONS

The Legal Department informs, advises and monitors.
A document with guidelines lists the potential risks and appropriate behaviour to mitigate them.

Strategic

SECTOR TRENDS, REGULATIONS AND POLICIES

Risks due to unfavourable changes in automotive or mobility policies (regarding energy, climate, environment, taxation, ...) at regional, national and/or European level.

Risks related to four megatrends: automated, connected, electric and shared mobility.

Risks related to changing customer behaviour and the rising success of multimodality. Customers compare the total cost of vehicle ownership versus the total cost of mobility.

POTENTIAL IMPACT

Changes in regulations may impact the volume of vehicles sold and/or leased on the Belgian market. Negative impact on margins.

The growing penetration of alternative powertrains (hybrid, electric vehicles, ...) and advanced driver assistance systems may have a negative impact on the sales of spare parts and revenues from bodywork and maintenance.

MITIGATING ACTIONS

D'Ieteren Auto's vision aims at supporting citizens' social life through a more fluid, accessible and sustainable mobility. Lab Box, a subsidiary of D'Ieteren, explores and tests new mobility solutions (e.g. Poppy, an environmentally friendly shared mobility service in Brussels and Antwerp, and Skipr, a Mobility as a Service application).

The rising penetration of electric vehicles and new digital products create new opportunities. Electric by D'Ieteren (EDI), for example, offers charging solutions for electric vehicles at home or at work and gives access to the largest European network of charging stations.

Strategic

RELATIONSHIP WITH VOLKSWAGEN GROUP AND YAMAHA

Risks related to the loss of one or more distribution contracts with Volkswagen Group and Yamaha. Risk that Volkswagen Group or Yamaha might take strategic decisions (e.g. pricing, design, type of engines) that are detrimental to D'Ieteren Auto's competitive position. Risk that Volkswagen will bypass D'Ieteren.

POTENTIAL IMPACT

Negative financial impact, redundancies and reputational damage.

MITIGATING ACTIONS

The relationship with key suppliers is based on D'Ieteren Auto's ability to demonstrate its added value through state-of-the-art logistics, the professionalization of the Belgian dealer network and in-depth knowledge of the Belgian market.
A trust-based relationship allows D'Ieteren Auto to be informed at an early stage of Volkswagen Group's or Yamaha's decisions.

Strategic

MAJOR PROJECTS

Risks related to the Magellan project which aims to prepare D'Ieteren for the future of mobility. It includes the development of new activities and expansion into adjacent activities. For example, Lab Box develops new mobility solutions and EDI (Electric D'Ieteren Solutions) offers intelligent charging solutions for electric vehicles and a trading desk for second hand vehicles will be launched in 2020.

Risks related to new software/IT systems such as CROSS (Dealership Management Software) and Clips (management of spare parts).

POTENTIAL IMPACT

The above-mentioned projects entail significant financial and reputational risks.

MITIGATING ACTIONS

The governance related to Magellan projects has been defined and a Transformation Office has been put in place in order to assure the follow-up and implementation of the initiatives. Change Managers have been also identified and are trained in project management.

Operational

TALENT & LEADERSHIP

Risk that D'Ieteren Auto fails to attract, motivate and retain skilled people.

POTENTIAL IMPACT

The loss of know-how due to the departure of key personnel could lead to a loss of revenues and costs. D'Ieteren Auto's competitive position may suffer if it fails to attract and retain talents that are needed to prepare itself for the changes in the mobility sector.

MITIGATING ACTIONS

An attractive employer brand to attract new talent. Personal and professional development through appraisals and coaching. The CaReer Model increases transparency in terms of expectations, skills and results, while offering career opportunities across the business. A Succession Plan is under review for key positions. MySkillCamp, the Learning & Content Management platform allows employees to learn autonomously. Create a learning mindset to prepare D'Ieteren Auto for the future.

Operational

IT INFRASTRUCTURE, DATA, DIGITAL AND CYBER SECURITY

Risks related to failure or interruption of critical IT services and applications.
Cyber-attacks (e.g. phishing, malware). Loss of confidentiality and integrity (e.g. customer, employee and cost price data). Data leaks (e.g. customer data). Non-compliance with GDPR or other regulatory obligations.
Unintentional internal user actions.

POTENTIAL IMPACT

Business disruption/interruption.
Negative impact on sales and financial results. Reputational damage.
Loss of trust of customers, factories and employees.
Fines (up to 4% of the annual turnover) for non- GDPR compliance.

MITIGATING ACTIONS

Technical/software controls (e.g. firewalls, antivirus). Physical controls (e.g. security doors for computer rooms, badge readers). Appointment of a Data Protection Officer and a Chief Information Security Officer.
Communication to improve employee awareness. Training for high risk profile employees who have access to personal data. Actions to protect data and ensure compliance with GDPR including assessment, an implementation program and data cartography. A roadmap to enforce controls that protect against cyber threats and prevent compliance breaches. A cyber roadmap has been defined and is being implemented.

Operational

HEALTH AND SAFETY

Health and safety risks related to the use of potentially dangerous machinery and chemicals, the work environment, the handling of goods and psychological issues (burn-out and stress). Fire risks related to infrastructure and activities.

Risks related to a pandemic (e.g. COVID-19).

POTENTIAL IMPACT

Non-compliance with safety regulations and internal policies. Injuries, penalties, fines, reputational damage and disruption of the activities.
Health & safety issues could result in an increase in absenteeism.

MITIGATING ACTIONS

Zero-tolerance policy regarding breaches of safety standards. The safety department carries out risk assessments, monitors protection measures (e.g. the use of safe tools and machinery and protective equipment) and organises workshops on fire prevention and health and safety issues such as ergonomics, first aid, the safe use of chemicals and electrical risks. Employees can count on help from an external prevention advisor in the case of psychological issues.

In the event of a pandemic, adequate measures (e.g. homeworking, temporary closure of sites) are taken to protect employees and customers. The company complies with national health safety instructions.

Operational

ENVIRONMENT

Risks related to the distribution of polluting combustion vehicles, transportation, the handling of chemicals and waste. See D'Ieteren Immo for the environmental impact related to the buildings.

POTENTIAL IMPACT

Breach of environmental laws, fines and reputational impact.

MITIGATING ACTIONS

D'Ieteren Auto's clean vehicle offer is set to expand significantly as Volkswagen Group aims at over 80 new electric models, including 50 pure electric models by 2025.

Working from home and environmentally friendly mobility solutions are offered to employees.

Lab Box, a 100% subsidiary, explores innovative mobility services.

Employees are trained to correctly sort and collect waste. Periodic site visits by a project coordinator of the main waste collector (Suez) for the optimization of the on-site waste management. Waste container parks on several sites.

Financial

FINANCIAL INFORMATION

Risks related to the preparation of financial information. Risks related to incorrect financial information and/or non-compliance with relevant standards.

POTENTIAL IMPACT

Misrepresentation of D'Ieteren Auto's financial performance to investors and other stakeholders. Regulatory scrutiny. Reputational damage.

MITIGATING ACTIONS

The financial statements are prepared by D'Ieteren Auto's accounting department in accordance with the International Financial Reporting Standards (IFRS). The consolidation is performed on a centralized accounting IT system to ensure consistency and adequacy of accounting policies with those of D'Ieteren. The financial information processes are covered by specific procedures, follow-up checks and rules of validation. The application of IFRS is discussed with the Statutory Auditor and in the Audit Committee.

Financial

RESIDUAL VALUES (D’IETEREN LEASE)

Risks related to the residual value of leasing vehicles at D’Ieteren Lease (100% owned by VDFin). D’Ieteren Lease is exposed to fluctuations in selling prices at the end of the leasing contract. Residual values reflect changes in demand (e.g. shift away from diesel engines, rising popularity of SUV’s), regulations, taxation and macro-economic factors.

POTENTIAL IMPACT

Negative financial impact: leasing contracts may turn out to be unprofitable if residual values drop.

MITIGATING ACTIONS

D’Ieteren Lease continuously monitors the second-hand vehicle market. Residual values are analysed on a quarterly basis to take into account recent sales results and new model launches. Provisions are also reviewed and adjusted if necessary on a quarterly basis.

Financial

LIQUIDITY AND INTEREST RATES (VDFIN)

Risks related to the financing of Volkswagen D’Ieteren Finance (VDFin), a provider of retail finance, operating leases and financial leases. VDFin also provides financing to the dealer network.

Note: VDFin is a joint venture between D’Ieteren (50% stake minus one share) and Volkswagen Financial Services (a subsidiary of Volkswagen group).

POTENTIAL IMPACT

Insufficient financing at competitive interest rates would be detrimental to VDFin’s competitive position and financial performance.

MITIGATING ACTIONS

Volkswagen Financial Services, a subsidiary of Volkswagen group, has diversified sources of financing and provides financing to VDFin at market conditions while ensuring permanent access to liquidity.

Standard & Poor’s gives Volkswagen Financial Services AG a credit rating of A-2 on commercial paper and a BBB+ rating on senior unsecured loans.

The Controlling & Treasury department of VDFin closely monitors the cost of financing in order to minimize the risk related to market conditions and the asset and liability management (ALM) policy ensures that the interest rate is well managed.

Governance/Compliance

4.3.3. D’IETEREN IMMO

ENVIRONMENT

Risks related to increasingly stringent environmental regulations. Risks related to environmental permits.

POTENTIAL IMPACT

Reputational damage. Higher costs to satisfy regulatory requirements.

MITIGATING ACTIONS

D’Ieteren Immo is committed to a reduction of its environmental footprint. Over recent years, various measures have been implemented aimed at using energy more efficiently while integrating alternative energy sources such as solar panels and co-generation units that produce not only electricity but also heat for buildings.

D’Ieteren Immo is implementing a new sustainability strategy after having chosen 8 objectives from the Sustainable Development Goals. It will assess its current and future assets in function of those 8 objectives after having defined clear criteria.

Operational

CONSTRUCTION PROJECTS

Risks related to the financial health of the builders and contractors.
Risks related to safety on the building sites.
Risks related to cost overruns

POTENTIAL IMPACT

Bankruptcy of a builder or contractor may result in stoppage or interruption of the construction process, delayed rental income, lawsuits and additional costs. It is difficult to find contractors who are willing to take over a project from an insolvent peer. Reputational damage if an accident occurs on a building site. Cost overruns have a negative impact on a project's return on investment.

MITIGATING ACTIONS

Thorough screening of the contractors. For example, Graydon reports are consulted when large projects are undertaken and insurance coverage is taken.

A safety coordinator is assigned by D'Ieteren Immo.
During site meetings contractors are repeatedly reminded of the safety requirements.

Projects are carefully scrutinized before being approved. D'Ieteren Immo has not only expertise in dealership real estate but also in other segments (e.g. offices, retail and residential).

Operational

OCCUPANCY RATE

Risks related to occupancy rates. D'Ieteren Auto is by far the main tenant (93% of total rental income) of D'Ieteren Immo's real estate.

POTENTIAL IMPACT

Loss of revenues and extra costs if the occupancy rate declines.

MITIGATING ACTIONS

Diversification of the real estate assets (e.g. residential, commercial, workshops, offices). Focus on multifunctional sites that can be developed for various purposes. Unoccupied space is rented out to other tenants besides D'Ieteren Auto. Some dealership sites that are no longer used by D'Ieteren Auto are sold.

Governance/Compliance

4.3.4. BELRON

LEGAL AND REGULATORY

Risks related to breaches of legislation and regulation. The key legislative risks faced by Belron relate to competition law, GDPR, anti-bribery, health & safety, social law and tax compliance.

POTENTIAL IMPACT

The reputation of Belron, its operating businesses and brands may be adversely affected by a breach of legislation or regulation.

MITIGATING ACTIONS

Established policies, procedures and guidance related to legislation and regulation are regularly updated and promoted through on-site workshops.

The legal department reviews contracts and business activities and performs legal audits. Outcomes arising from their assurance work are separately reported to the Audit Committee and/or the Board.

Advice and opinions are also sought from external counsel as and where thought appropriate.

Governance/Compliance

ETHICS

Risks related to unethical behaviour from within and/or external to the company which may harm the business and/or third parties.

POTENTIAL IMPACT

Reputation or (intangible) assets may be affected were employees, customers, suppliers or agents to commit unethical or fraudulent acts for personal gain, or were Belron to be considered jointly responsible for any such act perpetrated by a third party. Unethical behaviour may negatively impact working atmospheres and further damage business performance.

MITIGATING ACTIONS

A 'Genuine' Guiding Principles initiative, led by the Belron Group People & Leadership function, sets out the way things are done at Belron. This helps underpin the genuine approach to 'the way we work', guided by its ethical principles of integrity, respect and trust.

Strategic

MAJOR PROJECTS

Risks related to major projects, including the Fit for Growth project.

POTENTIAL IMPACT

The Fit for growth project is focused on boosting the financial performance of Belron and includes multiples work streams focusing on growth, profitability and ways of working. The ability of Belron to achieve its growth and profit ambition is fundamentally dependent on the success of this project.

MITIGATING ACTIONS

Belron has established a comprehensive programme management approach for the Fit for Growth project. Each work stream has an executive responsible for its success with overall co-ordination of the project being controlled by a member of the Group Executive committee. Financial and non-financial performance metrics have been developed for each work stream which are collected, reviewed and acted upon monthly. Additional capability is being introduced where necessary, notably in the fields of HR and IT.

Strategic

TECHNOLOGY

Risks related to new and emerging technologies. The technological complexity of vehicles (and vehicle glass) continues to gather pace, typified by the growing popularity of Advanced Driver Assistance Systems (ADAS) and the need to recalibrate the sensors.

POTENTIAL IMPACT

Failure to adapt to technological advancements and developments may impact Belron's ability to return vehicles to the motorist in a safe condition and have an adverse impact on the leadership position held by Belron.

MITIGATING ACTIONS

In addition to its broad geographical spread and its cross-national operating platforms, Belron is a world leader in assessing and understanding the ever-changing technological advancements in vehicles and vehicle glass.

The central Belron Technical team comprises individuals with expertise in Advanced Driver Assistance Systems and the recalibration thereof. The calibration process is determined by Belron Technical and checked as part of the Risk & Assurance process.

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Strategic

MARKETS

Risks related to the vehicle glass repair and replacement markets including industry, macro-economic and technological factors.
As with any business, Belron may be impacted by external factors, including general economic conditions, climate, changes in government policy and consumer behaviour.

POTENTIAL IMPACT

Negative impact on growth, sales and financial results.

MITIGATING ACTIONS

Global and local country developments are actively monitored and fed in to a planning process. This process allows early anticipation of these trends or swift reactions to sudden events, for example climatic conditions, providing management with a base for making decisions regarding the range of products and services offered, their pricing and the optimum size of the operational platform.

The workforce at Belron is highly skilled and competent and, through its inspiring leadership, the business is well positioned to recognise change and adapt to optimise the resulting opportunities.

Operational

TALENT AND LEADERSHIP

Risks related to employee hiring, engagement, development and staff-turnover.

POTENTIAL IMPACT

The inability to continue to identify, attract and retain the best people could have a negative impact on the continued success of the Belron business, its reputation, its service levels and its financial performance.

MITIGATING ACTIONS

The business regularly monitors the levels of Employee Engagement and responds effectively to the results. Employee performance is regularly reviewed, with continuing specific initiatives related to succession planning, leadership potential and ongoing development.

Belron measures and improves the performance of its leaders through its Executive Winning Behaviours programmes.

Employee retention is managed through the offer of a competitive compensation package that is regularly benchmarked against market practices, good career prospects, regular feedback and employee satisfaction surveys.

Operational

IT INFRASTRUCTURE, DATA, DIGITAL AND CYBER SECURITY

Risks related to information security (including payment card processing, data purge and data discovery, VPN and firewalls and legislative compliance).

Evolving threat of cyber-crime including attacks on systems and infrastructure, or those of key third parties.

Risk related to IT implementations.

POTENTIAL IMPACT

Failure or protracted loss of IT functionality, denial of service, or an inability to access data could significantly impair customer service levels, adversely impact financial results and damage reputation.

MITIGATING ACTIONS

Business units implement general IT controls, which include measures to help to prevent unauthorised access and inappropriate use of systems.

Disaster recovery plans are developed and tested.

An annual review (drawn from internationally recognised IT governance, practice and service management frameworks) is undertaken at all business units to assess the design and operation of IT controls. Any actions arising are then addressed by management.

Operating businesses address any identified vulnerabilities from (external and internal) penetration tests which are performed independently.

Operational

KEY ACCOUNTS

Risks related to the loss of major accounts. The Belron business model depends on constantly achieving high customer satisfaction levels which also reflect very positively on Key Account partners.

POTENTIAL IMPACT

Loss of Key Account partners, including insurers and fleets, could adversely impact sales and performance and impair the ability of the business to acquire new accounts.

MITIGATING ACTIONS

Belron maintains a close relationship with its insurance, fleet and lease Key Accounts and is committed to being open and honest in all its dealings.

Each Key Account has a Sales team 'owner' who executes plans with clear objectives to strengthen relationships. These plans are overseen by Sales Directors within each country and for the largest Key Accounts, these plans are overseen by the Belron Sales & Marketing team. Key Accounts perform their own audits in some countries.
Belron constantly and extensively monitors customer satisfaction through 'Net Promoter Score' assessments over its service levels.

Operational

HEALTH AND SAFETY

Risks related to safety and health of the employees and members of the public through the established, day to day business operations (including glass repair and replacement through its service centers or mobile fleets, its supply chain sites, or driving at work).

Risks related to a pandemic (e.g. COVID-19).

POTENTIAL IMPACT

Non-compliance with safety regulations and internal policies, processes and procedures could lead to serious injury to our employees or to third parties.

MITIGATING ACTIONS

The key fitting steps are codified within the Belron 'Way of Fitting' processes. Safety standards are embedded in this 'Way of Fitting' through its 'Quality starts with Safety' procedures. These methods, specialist tools, training courses and assessments are developed and implemented across all locations. Each business is responsible for implementing measures to comply with national safety requirements and standards and many of them are supported by dedicated Health & Safety personnel. In the event of a pandemic, adequate measures (e.g. homeworking, temporary closure of sites) are taken to protect employees and customers.

Extensive training programmes for all its technicians are delivered through locally based technical teams. Any customer complaints are thoroughly followed-up. Actions to rectify any issues are captured and are fed-back into the content of global training programmes.

Operational

SUPPLY CHAIN AND SERVICE DELIVERY

Risks related to the sourcing of vehicle glass, polyurethane, repair resin and other products through a strategic (primary) supplier, and risks in the operational supply chain to deliver consistent capability from any of the Belron distribution centers or responses to customers' contacts through its call centers.

In particular, the possible impact of border controls in Europe post Brexit or trade tariffs between the US and China.

POTENTIAL IMPACT

A temporary loss of one of the distribution centers or call centers or the loss of a key supplier, for example as a result of a fire or other natural hazard, could result in business disruption. This could damage established customer service levels and impact financial performance

MITIGATING ACTIONS

The Supplier Code of Conduct sets out the underlying principles on which supply chain relationships at Belron are based.

A strategy to diversify sourcing from glass, repair resin and accessory manufacturers and suppliers.

As part of the service delivery Business Continuity Plans are designed to ensure continuity of operations should a significant adverse event occur. Belron places property damage/ business interruption insurance to cover the maximum potential loss of any of its major distribution centers or call centers and its property insurers perform regular, routine inspections of all key sites.

The business has specifically identified the risks associated with a disruptive Brexit and has developed contingency plans. The impact of trade tariffs between the US and China is being partially mitigated through diversifying sources of supply.

Financial

PROCESSES AND CONTROLS

The risk of a breakdown of fundamental financial and treasury processes and controls.

POTENTIAL IMPACT

Negative impact on results, a lack of financial resources to execute the strategy and a detrimental impact upon the reputation of the business.

MITIGATING ACTIONS

Regular financial performance monitoring. Business units implement internal financial controls including segregation of duties and delegation of authorities over all key financial processes.

Treasury policies are communicated, with the Belron Group Treasury overseeing activity on a regular basis.

Internal financial controls protect business assets and ensure effective stewardship (including internal and external reporting). In addition to annual assessments of financial controls conducted by both Belron and its business units, the external auditors review the key financial controls.

Financial

FOREIGN EXCHANGE RATES, INTEREST RATES & LIQUIDITY

Risks related to fluctuations in foreign exchange rates. Risks related to funding, liquidity and changes in interest rates.

POTENTIAL IMPACT

Adverse foreign exchange rate fluctuations could have a negative impact on sales and results. Difficulty to renew funding in adverse financial markets. A lack of financial resources to execute the strategy, which in turn may have a detrimental impact on the reputation of the business.

MITIGATING ACTIONS

In each country where Belron has operations, revenues and costs incurred are primarily denominated in the relevant local currency, and principally in USD, EUR and GBP, thereby providing a natural currency hedge. Wherever possible, the policy is to hedge investments that are made in foreign currencies with debt in the same currency.

Belron aims to generate a strong free cash flow and manages liquidity risk by maintaining sufficient cash and funding available.

The exposure to variable interest rates arising on the Term Loan facilities are hedged through a series of interest rate swaps.

Strategy

4.3.5. MOLESKINE

TRADING CONDITIONS

Risks related to economic downturns.

Risk related to business concentration, in particular in the Wholesale channel where Moleskine supplies “bricks-and-mortar” retailers who are under pressure from online retailers and changing consumer behavior.

POTENTIAL IMPACT

An economic downturn could have a negative impact on demand for discretionary consumer goods and put large distributors and retailers under pressure. Negative financial impact.

MITIGATING ACTIONS

Moleskine is continuously monitoring emerging trends and mindstyle changes. Innovation mitigates the impact from economic downturns. Macro-economic risks are also mitigated through geographic diversification given Moleskine’s presence in 114 countries.

Risks related to customer concentration have slightly increased in 2019 s the direct channels were under pressure. In 2019, the top 5 customers represented 23% of total company sales.

Countries with a direct distribution model represent more than 65% of sales.

Strategy

IMPLEMENTATION

Risks related to the implementation of the multi-category/multi-channel strategy.

POTENTIAL IMPACT

Poor execution of the strategy could lead to reputational damage and financial losses.

MITIGATING ACTIONS

Moleskine has put in place an action plan to make its retail activities profitable including a detailed store-by-store analysis, closure of underperforming stores, the launch of a new store format and the implementation of best practices.

Moleskine decided to improve the customer experience, through the implementation of a new e-commerce model.

Operational

SUPPLY CHAIN AND INVENTORY MANAGEMENT

Risks related to the supply chain and outsourced production.
Risks related to trade barriers and tariffs.
Risk related to Inventory high levels

POTENTIAL IMPACT

Revenues and results could suffer if the manufacturers fail to fulfil the contractual obligations in terms of timing.
Trade barriers and tariffs could also have a negative impact on results.

Financial impact related to excess/obsolete inventories.

MITIGATING ACTIONS

New suppliers are currently under evaluation to secure suppliers back up, to reduce the risk related to trade tariffs and business continuity.

Mitigating actions to reduce inventory: selective buying strategy, de-stocking initiatives of old inventory, review of the phase out/out of catalogue process.
Improved HQ Supply chain organization through new Supply chain Director having started in September 2019.

Operational

PROCESSES AND CONTROLS

The risk of a breakdown of the fundamental processes and controls: quality standard settings, product development, marketing and communication and procurement for services.
Fraud risk related to the retail processes.

POTENTIAL IMPACT

Negative impact on the effectiveness and efficiency of the processes and detrimental impact on the reputation of the business.

MITIGATING ACTIONS

Quality assurance and quality control are under assessment in order to design and implement an improved process.

Internal control system, segregation of duties and delegation of authorities over those processes are under review.

Operational

TALENT & LEADERSHIP

Risks related to Moleskine’s capacity to attract, motivate and retain skilled people.

POTENTIAL IMPACT

High turnover in Moleskine personnel.
Inability to execute Moleskine’s strategy.
Negative financial impact.

MITIGATING ACTIONS

In 2019, Moleskine’s People Strategy focused primarily on reconnecting and engaging staff with the company’s purpose. To pursue this objective, the executive team has identified the Culture Project as the prime motor for embracing and manifesting the company’s purpose in everyday life. Through the Culture Project, Moleskine’s values have been shared globally with Moleskine’s teams.

Moleskine’s total reward system includes flexible benefits and a smart working environment. Moleskine’s ‘hiring from within’ and ‘horizontal job rotation’ approach continues to be encouraged.

Operational

IT INFRASTRUCTURE, DATA, DIGITAL AND CYBER SECURITY

Risks related to failure or interruption of critical IT services and applications.

Cyber-attacks (e.g. phishing, malware).

POTENTIAL IMPACT

Business disruption. Negative impact on sales and financial results.
Reputational damage.

MITIGATING ACTIONS

Technical/software controls (e.g. firewalls, antivirus).

A vulnerability assessment was conducted in 2019 and remediations for high priority vulnerabilities are implemented.

Operational

DATA PRIVACY

Risks related to data leaks (e.g. customer data). Non-compliancy with GDPR or other regulatory obligations related to the treatment of personal data. Unintentional internal user actions.

POTENTIAL IMPACT

Reputational impact. Loss of trust of customers, factories and employees.
Fines breach of GDPR regulation.

MITIGATING ACTIONS

Actions to protect data and to be compliant with GDPR including policies and procedures and training of high risk profile employees who have access to personal data.

An external Data Protection Officer monitors the compliance of the Moleskine Data treatment processes through the risk based audit plan.

Operational

LEGAL

Compliance risk related to relevant regulations and laws.

POTENTIAL IMPACT

Breach of laws and regulations can result in fines and reputational damage.

MITIGATING ACTIONS

The legal department oversees legal risks with regulatory assessment and implementation of remediations.

HR Department is responsible to manage and monitor labor law issues, with the support of external labor law advisors.

Operational

ENVIRONMENT

Risks related to the environmental impact of Moleskine's operations and products.

POTENTIAL IMPACT

Breach of environmental laws, fines and reputational impact.

MITIGATING ACTIONS

Most of Moleskine's environmental impact is related to its supply chain. The company mitigates the impact of its products through various measures. For example, the Moleskine notebooks are made of acid- and chlorine free paper and Forest Stewardship Council (FSC)-certification ensures that 100% of Moleskine's paper products are made of paper that comes from responsibly-managed forests. Moleskine develops products that are designed to be reused and wasteful packaging is kept to a minimum.

In 2019-2020, Moleskine has realized a Lifecycle analysis for one of its main products (the classical notebook) in order to better understand the roots of its environmental impact and how to tackle them.

Operational

HEALTH AND SAFETY

Risks related to safety and health of the employees and customers. Risks related to a pandemic (e.g. COVID-19).

POTENTIAL IMPACT

Non-compliance with health and safety regulations/instructions could lead to serious illnesses or injuries, reputational damage and penalties.

MITIGATING ACTIONS

The company complies with national health safety instructions. In the event of a pandemic, adequate measures (e.g. homeworking, temporary closure of sites) are taken to protect employees and customers.

Financial

FOREIGN EXCHANGE RATES

Risks related to fluctuations in foreign exchange rates.

POTENTIAL IMPACT

Adverse foreign exchange rate fluctuations could have a negative impact on sales and results.

MITIGATING ACTIONS

Price lists are updated to reflect foreign exchange rate fluctuations. The procurement strategy aims to match the currencies of purchases and sales.

Moleskine has adopted a system that makes it possible to monitor exposure to foreign exchange rate fluctuations with greater reliability, in particular with regards to trade receivables and payables. It has the objective to hedge major exposure through forward currency purchase and sale contracts.

Financial

FINANCIAL INFORMATION PROCESS

Risks related to the preparation of financial information.
Risks related to delays in the financial closing.

POTENTIAL IMPACT

Misrepresentation of Moleskine's financial performance to its stakeholders.

Negative impact on the decision-making process because of inadequate and/or delayed information.

MITIGATING ACTIONS

The financial statements are prepared by Moleskine's finance department in accordance with the International Financial Reporting Standards (IFRS) and D'Ieteren Group's accounting policies.

The financial information processes include specific procedures, follow-up checks and rules of validation.

The application of IFRS is discussed with the Statutory Auditor and in the Audit Committee.

Several actions were implemented in 2019 to speed up management reporting and the financial closing process.

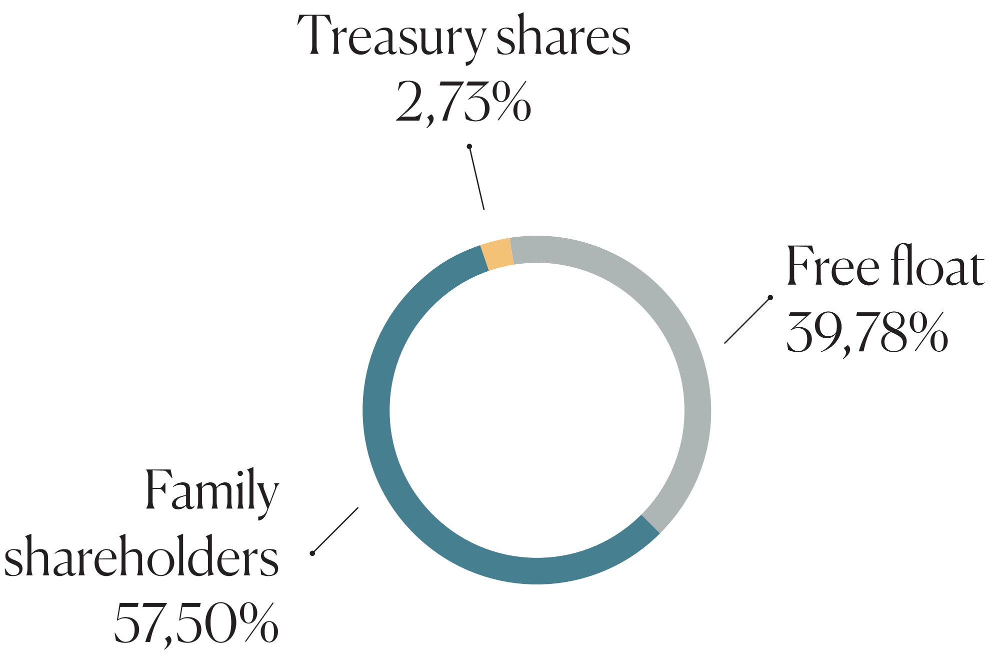
5. Capital Information

5.1. DENOMINATOR

At 31 December 2019	Number	Related voting rights
Ordinary shares	55,302,620	55,302,620
Participating shares	5,000,000	5,000,000
Total		**60,302,620**

5.2. SHAREHOLDING STRUCTURE

At 31 December 2019	In share capital	In voting rights
Family shareholders	**57.50%**	**61.02%**
of which Nayarit Group	*31.99%*	*35.56%*
of which SPDG Group	*25.50%*	*25.46%*
Treasury shares	**2.73%**	**2.50%**
Free float	**39.78%**	**36.48%**



5.3. 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 16 January 2020, see note above) is presented in Note 21 of the financial statement (page 61).
The Company is not aware of any subsequent notification modifying the information presented in this Note.

5.4. 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 21 of the Consolidated Financial Statements, page 61), 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 6 June 2019 renewed the authority of the Board:

- To increase the share capital once or several times by no more than 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 by Belgium’s Companies and Associations Code, or by incorporation of available as well as non-available reserves or a share premium account, with or without the 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 rights to the capital increases it decides upon, including in favour of one or more determined persons;

- To issue, within the framework of the authorised capital, convertible bonds, subscription rights or financial instruments, which may grant rights to Company shares, under the conditions defined by the Companies and Associations Code, up to a maximum, such that the amount of the capital increases that might result from the exercise of the above-mentioned rights and financial instruments does not exceed the limit of the remaining authorised capital, as the case may be without taking into account (see my mail) the preferential subscription rights of bondholders.

Without prejudice to the authorisations given to the Board of Directors described in the preceding paragraphs, the Extraordinary General Meeting of 1 June 2017 also renewed the authority of 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 3 years of the decision of the General Meeting – with capital increases by contribution in kind or in cash, as the case may be without talking into account the preferential subscription rights of shareholders;

The Extraordinary General Meeting of 31 May 2018 also approved the renewal of the 5-year authorization granted to the Board concerning the acquisition, transfer or cancellation of own shares under legal conditions, notably to cover stock option plans for managers of the Company.

In the event of a risk of serious and imminent harm occurring to the Company, the Board of Directors has the authority to transfer treasury shares either on the market or through a sale under the same conditions to all shareholders in compliance with the applicable legal conditions. This authorisation applies, under the same conditions, to the purchase or transfer of shares held in the Company by its subsidiaries as stated in articles 7:221 to 7:225 of the Companies and Associations Code.

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