Corporate governance statement

In 2020, the Company adhered to the principles laid out in the 2020 Belgian Code on Corporate Governance ("2020 Code"), which is available at www.corporategovernancecommittee.be. The Company's board of directors has approved a new corporate governance charter on February 28, 2019 (the "Corporate Governance Charter"), which is available at www.dieterengroup.com. The Company takes its specific shareholder structure into account, i.e. the stable majority shareholding by the Company's founding family, when applying the principles of the 2020 Code. Page 99 lists which principles of the 2020 Code the Company does not comply with and the relevant explanations.

1. Composition and Functioning of the Board of Directors and Executive Management Bodies

1.1. BOARD OF DIRECTORS

1.1.1. Composition

Throughout 2020, the Board of Directors was comprised of:

- six non-executive Directors, appointed upon proposal of the family shareholders; and
- five non-executive Directors, four of whom are independent, chosen on the basis of their experience.

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

1.1.2. Roles and activities

Without prejudice to its legal powers, its powers under the articles of association and the legal powers 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 material financial transactions, acquisitions and divestments concerning the Group and its key subsidiaries;
- ensure that appropriate organizational structures, processes and controls are in place to achieve the Company's objectives and manage the associated risks;
- appoint the directors proposed by the Company to the boards of directors of the key subsidiaries;
- appoint and dismiss the CEO and, based on a proposal by the CEO, the other members of the Executive Committee and the CEOs of the Group's activities, and set the remuneration of such persons;
- monitor and review the performance of the daily management;
- monitor communications with the Company's shareholders and other stakeholders;
- approve the Company's statutory and consolidated accounts, as well as set the dividend which will be proposed to the General Meeting. In that context, the Board of Directors intends to maintain its permanent policy of self-financing to the largest extent possible, which has supported the Group's development, and which aims to strengthen the Company's own funds and maintain qualitative financial ratios. In the absence of material unforeseen events, the Board of Directors will ensure a stable and, if results permit, steadily growing dividend.

Composition of the Board of Directors on 31 December 2020		Joined Board in	end of mandate
Nicolas D'Ieteren (45)[1]	**Chairman of the D'Ieteren Group 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 a private equity firm investing in young companies.	2005	June 2024
Olivier Périer (49)[1]	**Deputy Chairman of the Board of Directors 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 and foundations.	2005	June 2023
Christine Blondel (62)	**Independent Director** Ecole Polytechnique (France), MBA (INSEAD). Management Consultant from 1981 to 1984. Marketing and finance manager at Procter & Gamble from 1984 to 1993. Executive Director of the Wendel International Centre for Family Enterprise at INSEAD (until 2007), Teacher at INSEAD and in international Business Schools. Advisor to family businesses.	2009	June 2021
CB Management SARL unipersonelle	**Independent Director– Permanent representative: Cécile Bonnefond (65)** 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 and General Manager EPI Group (2011-2015). Since 2015, sits on boards of international listed and family-run companies. Consultant for BPI France.	2018	June 2022
Sophie Gasperment (56)	**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, Givaudan SA and Kingfisher plc), Senior advisor to BCG, and Angel investor.	2018	June 2022
GEMA SPRL[1]	**Non-executive Director – Permanent representative: Michel Allé (70)** 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 Pharmafluidics. Honorary Professor at ULB.	2014	June 2022
Pascal Minne (†)	**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	N/A
Nayarit Participations SCA[1]	**Non-Executive Director – Permanent representative: Frédéric de Vuyst (47)** 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 and member of the Management Board Corporate Banking at BNP Paribas Fortis until 2012. Since then, CEO at Nayarit Participations and various directorships.	2001	June 2022

Composition of the Board of Directors on 31 December 2020		Joined Board in	end of mandate
Pierre-Olivier Beckers SPRL	**Independent Director – Permanent representative: Pierre-Olivier Beckers (60)** 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
Société Anonyme de Participation et de Gestion SA (SPDG)[1]	**Non-executive Director – Permanent representative: Denis Pettiaux (52)** 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 (55)[1]	**Non-Executive Director** Degree in economics. CEO of Sioen Industries, a listed company specialised in technical textiles. Honorary Chairman of the FEB. Various Directorships of Belgian companies, notably Immobel, Sofina and Fedustria.	2011	June 2023

[1] Director appointed upon proposal of family shareholders.
(†) Pascal Minne passed away on January 17, 2021.

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 2020, the Board met nine times. All Directors attended the meetings that were fixed in advance, as well as the more occasional meetings with the exception of: Ms Michèle Sioen and Mr Pascal Minne who were both excused for one meeting.

1.1.3. Tenure of Directors

None of the Directors' mandates expired in 2020 and no new Directors were appointed in 2020.

1.1.4. Committees of the Board of Directors

Composition (at 31/12/2020)	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 *The members of the Audit Committee and the members of the Nominations and Remuneration Committee have the expertise required by law in accounting and audit matters and in remuneration policy respectively in view of their respective education and management experience in industrial and financial companies.*
2 *Independent Director*
3 *Permanent representative of Pierre-Olivier Beckers SPRL. Independent Director*
4 *Permanent representative of Nayarit Participations SCA*
5 *Permanent representative of SPDG SA*

The Audit Committee met four times in 2020. All but one meetings were held in the presence of the Statutory Auditor. All of its members attended all of the meetings.

The Nominations and Remuneration Committee met four times in 2020. All of its members attended all of the meetings.
The Strategic Committee met 17 times in 2020.
Each Committee reported on its activities to the Board of Directors.

1.1.5. Functioning of the Committees

Audit Committee

On 31 December 2020, the Audit Committee was comprised of four non-executive Directors, one of which was an 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 key subsidiaries. The Audit Committee reviews the Statutory 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 Statutory 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 Statutory Auditor, KPMG, reappointed by the Ordinary General Meeting of May 28, 2020, has outlined the methodology for auditing the statutory and consolidated accounts as well as the applicable materiality and reporting thresholds. The Audit Committee's charter adopted by the Board of Directors is set out in Appendix I of the Governance Charter published on the Company's website.

Nominations and Remuneration Committee

On 31 December 2020, the Nominations and Remuneration Committee was comprised of five Directors, including the Chairman of the Board of Directors, who presides over the meetings, the Deputy Chairman of the Board of Directors and three independent Directors.

The role of the Nominations and Remuneration Committee is as follows:

- To make proposals to the Board of Directors relating to appointments of non-executive Directors, the CEO, and based on a proposal by the CEO, the other members of the Executive Committee and the CEOs of the Group's key subsidiaries, and ensure that the Company has formal, rigorous and transparent procedures to support these decisions.

- To make proposals to the Board of Directors relating to the remuneration of the non-executive Directors, the CEO, and, based on a proposal by the CEO, the other members of the Executive Committee and the CEOs of the Group's key subsidiaries, and ensure that the company has formal, rigorous and transparent procedures to support these decisions.

- To regularly review the procedures, principles and policies relating to the appointment and remuneration of managers in the Group's key activities and the Corporate team, and to coordinate with the Nominations and Remuneration Committees that already exist within the Group's key subsidiaries.

- To prepare the remuneration report and comment on it during the Annual General Meeting.

The Nominations and Remuneration 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 of Directors 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 of Directors on February 28, 2019, meets at least once a month and brings together the Chairman and Deputy Chairman of the Board of Directors, two Directors representing the family shareholders and the Group CEO. The other members of the Executive Committee are permanent guests. At the level of the Group and its subsidiaries, the Strategic Committee's role 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 of Directors meetings. The Strategic Committee's Charter, adopted by the Board of Directors, 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 roles, 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 must consult the Chairman of the Board of Directors or the Group CEO, who shall decide whether a request for an exception 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 of Directors and its Committees

The Board of Directors and its Committees assess on a regular basis, and at least once every three years, their size, composition, procedures, performance and their relationships with management, as well as the individual contribution of each Director to their overall functioning in order to constantly improve the effectiveness of their actions and the contribution of those actions to the Group's proper governance.

The Board of Directors and its Committees carried out an assessment exerciseduring 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 of Directors along with clear recommendations for the Board of Directors' 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 2020, 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 2020		Start of mandate
Francis Deprez (55)	**Chairman of the Executive Committee and CEO** Degree 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). Director at Belron, Moleskine and D'Ieteren Immo.	2019 (CEO) 2016 (as a member of the Executive Committee)
Arnaud Laviolette (59)	**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 Belgium until 2013. Investment manager at GBL from 2013 to June 2015. Director at Belron, Moleskine and D'Ieteren Immo. External Director at Rossel.	2015

The members of the Group Executive Committee act as a board. At the Group level, they are in charge of origination, monitoring and developing the Group's activities, human resources, finance, financial communication, investor relations, accounting, consolidation, treasury, M&A, sustainability and legal and tax 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 Automotive), Belron, Moleskine and D'Ieteren Immo.

D'Ieteren Automotive, which has become a separate, wholly-owned subsidiary of the Company as from January 1, 2021, was managed in 2020 by the CEO of D'Ieteren Auto, who acted under the authority of the Group CEO. A new board of directors has been put in place since January 1, 2021, comprised of six directors: five appointed by the Company and the CEO of D'Ieteren Automotive.

Belron, of which D'Ieteren owned 54.85% of the voting rights on December 31, 2020, has a Board of Directors comprised of six directors: three who are appointed by the Company, two 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 of Directors.

Moleskine, a wholly-owned subsidiary of the Company, is governed by a Board of Directors comprised of seven directors: five appointed by the Company and the Moleskine CEO and CFO.

D'Ieteren Immo, a wholly-owned subsidiary of the Company, is managed by a Board of Directors comprised of four Directors: three 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 Axel Jorion, whose mandate to audit the statutory and consolidated accounts for 2020, 2021 and 2022 was renewed at the Ordinary General Meeting of May 28, 2020.

The total fees charged by the Statutory Auditor and linked companies for the work carried out in 2020 on behalf of D'Ieteren SA/NV and linked companies amounted to EUR 4.4 million, excluding VAT. Details of the fees are included in the appendix of the 2020 Consolidated Financial Statements (page 70).

DEVIATIONS FROM THE 2020 BELGIAN CODE ON CORPORATE GOVERNANCE

The Company deviates from the following provisions of the 2020 Code:

> DEVIATION FROM PROVISION 3.7.

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 of Directors. Their joint or majority representation on the Board of Directors enables them to influence these orientations, thereby ensuring the shareholding stability necessary for 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 of Directors is mitigated, on the one hand, by the appropriate use of these powers 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 of Directors.

> DEVIATION FROM PROVISION 7.6.

The Directors only receive fixed remuneration, without any grant of shares. This is justified by the fact that the investment policies of the Company adequately foster a long-term perspective. In addition, several Directors already have a large exposure to the evolution of the Company's value, considering the number of shares they own directly or indirectly.

> DEVIATION FROM PROVISION 7.9.

There is no requirement for the members of the Executive Committee to hold a minimum number of shares in the Company. This is justified by the fact that the investment policies of the Company adequately foster a long-term perspective. In addition, the grant of stock options adequately ensures the alignment of interests between the members of the Executive Committee and all shareholders.

2. Diversity

D'Ieteren Group aims to put diversity at the heart of its Board of Directors 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 of Directors and Executive Committee levels also increases the pool of potential candidates and helps to attract and retain talent.

The Nomination and Remuneration Committee reviews and assesses the composition of the Board of Directors and the Executive Committee, and advises the Board of Directors on the appointment of new Board members and Executive Committee members, as well as the the renewal of any existing mandates. During this process, the Nomination 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).

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 May 31, 2018 with the nomination of two new female directors. As at December 31, 2020, the Board of Directors had 11 members, four of whom were 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 December 31, 2020.

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

3. Remuneration report

The remuneration of the Directors and the members of the Executive Committee for 2020, is detailed in this report. Such remuneration is in accordance with the remuneration policy contained in the remuneration report published in 2020, which was approved by a majority of 95.75% of the votes cast and without any specific comments made by shareholders.

3.1. REMUNERATION OF NON-EXECUTIVE DIRECTORS

A total of EUR 992,250 was paid to the Directors in 2020, broken down as indicated in the table below. No other remuneration or benefit, loan or guarantee was granted to them by the Company. All Directors qualify as non-executive Directors. In the framework of the Covid-19 crisis, certain Directors waived their right to part of their remuneration and requested the Company to contribute the corresponding amounts to a a solidarity program that helped employees of the D'Ieteren Group who suffered hardship as a consequence of the Covid-19 crisis. Some Directors waived part of their remuneration in 2020 and part in 2021. The aggregate amount contributed to the fund for 2020 amounted to EUR 357,750.

2020 (in EUR)	Base remuneration	Specialised Committees	Total remuneration	Total remuneration paid (after covid remuneration waivers)
D'Ieteren N.	250,000	All in	250,000	125,000*
Périer O.	200,000	All in	200,000	100,000*
P.-O. Beckers sprl	70,000	35,000	105,000	93,000
Bonnefond C.	70,000	N/A	70,000	59,500
Blondel C.	70,000	70,000	140,000	119,000
Gasperment S.	70,000	35,000	105,000	94,500
Gema (M. Allé)	70,000	N/A	70,000	59,500
Minne P.	70,000	60,000	130,000	130,000
Nayarit (de Vuyst)	70,000	35,000	105,000	52,500*
Sioen M.	70,000	N/A	70,000	70,000
SPDG (D. Pettiaux)	70,000	35,000	105,000	89,250
Total	**1,080,000**	**270,000**	**1,350,000**	**992,250**

** the same amounts have been waived for 2021 as well.*

3.2. REMUNERATION OF THE MEMBERS OF THE EXECUTIVE COMMITTEE

The remuneration granted to the members of the Executive Committee in 2020 was reviewed by the Board of Directors on 5 March 2020. The components of their remuneration are detailed below.
As regards the variable remuneration, the Board of Directors, on the basis of the recommendations from the Nominations and Remuneration Committee, approved on 8 March 2021 the relevant amounts in light of the achieved targets, as also detailed below.

3.2.1. Annual fixed base remuneration

In 2020, the Chief Executive Officer earned an annual fixed base remuneration of EUR 700,000 and the Chief Financial Officer earned an annual fixed base remuneration of EUR 517,916.67[1].

1 These amounts have been reduced by the portion of the fixed compensation foregone to contribute to various solidarity initiatives set up by the Company in the context of the COVID-19 crisis.

3.2.2. Variable remuneration

- **Annual bonus**
  For 2020, the Chief Executive Officer earned an annual bonus of EUR 539,000, corresponding to approximately 77% of his 2020 fixed base remuneration. The Chief Financial Officer earned an annual bonus of EUR 393,310, corresponding to approximately 70% of his 2020 fixed base remuneration. These amounts were paid in March 2021.

  The 2020 annual bonuses were based on the levels of achievement in 2020 of two financial criteria (profit before tax and free cash flow) compared to budget, as well as three non-financial criteria (people, corporate development and customers) as qualitatively assessed by the Board of Directors.

  For 2019, the Chief Executive Officer earned an annual bonus of EUR 503,000 and the Chief Financial Officer earned an annual bonus of EUR 390,000. These amounts were paid in March 2020. Please refer to the remuneration report published in 2020 for more information.

- **Cash LTI**
  The target Cash LTI relating to 2020 amounts to EUR 350,000 for the Chief Executive Officer and EUR 150,000 for the Chief Financial Officer. The corresponding amounts will be paid, if the targets are met, at the end of the year 2022.

- **Stock Option LTI**[1]
  In 2020, 55,000 stock options were granted to the Chief Executive Officer and 40,000 stock options were granted to the Chief Financial Officer.
  The exercise price is EUR 49.36. In principle, the 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 grant.
  Additional details on the Stock Option LTI are provided in note 9 of the consolidated financial statements.

- **Pension and other benefits**
  In 2020, the Company covered the contributions to disability insurance, life insurance and pension schemes with respect to the Chief Executive Officer for an amount of EUR 115,000 and with respect to the Chief Financial Officer for an amount of EUR 126,000.

3.2.3. Stock options granted, exercised and expired in 2020

	Transactions in 2020		
Name position	**Options granted**	**Options exercised**	**Options expired**
Chief Executive Officer	55,000	0	0
Chief Financial Officer	40,000	0	0

3.2.4. General overview of the remuneration

2020 (in EUR)	CEO	Other members of Executive Committee	Total
Annual Fixed base remuneration	700,000	517,916.67	1,217,916.67
Annual bonus	539,000	393,310	932,310
Cash LTI (target 31/12/2022)	350,000	150,000	500,000
Contribution to disability, pension and life insurance	115,000	126,000	241,000

1 Of these, 5,000 stock options had been granted as compensation for the 2019 fiscal year (related to the 6 months he served as CEO starting in July 2019).

3.3. ANNUAL CHANGE OF THE REMUNERATION AND PAY RATIO

The table below provides an overview of the annual change of remuneration for the Directors, the Executive Committee members and the employees (average on a full-time equivalent basis). It also provides an overview of the annual change of performance of the Company.

Annual change in %	2016 vs 2015	2017 vs 2016	2018 vs 2017	2019 vs 2018	2020 vs 2019
> Remuneration of the (non-executive) Directors (total)					
	+2%	+1.2%	+13.4	+5.5%	-26.5%
> Remuneration of the Executive Committee (total)[1]					
Type of remuneration					
All remuneration excluding stock options[2]	+/-0%	+91.8%	-50.6%	+14%	+3.7%
Stock options[3]	+/-0%	+/-0%	+14.3%	+/-0%	+18.8%
> Company's performance					
Adjusted consolidated result before tax[4]	+12.1%[5], [6]	+2.6%[5], [6], [7]	+15.8%[5]	+39.8%[5]	+11.2%[8]
> Average remuneration on a full-time equivalent basis of employees[9]					
Employees of the Company	-0.9%	-2.5%	+31.3%	-21.0%	-5.8%

Explanatory notes

1 *This includes the current members of the Executive Committee only. The current CEO joined the Company in 2016 as member of the Executive Committee and was promoted to CEO in July 2019.*

2 *This includes the (i) annual fixed base remuneration, (ii) annual bonus paid, (iii) paid-out cash LTI (iv) contribution to disability, pension and life insurance and (v) exceptional payments linked to strategic projects.*

3 *In terms of number of stock options.*

4 *Numbers on a comparable basis in function of the Company's shareholding in Belron.*

5 *On a pre IFRS16 basis.*

6 *2016 excludes the results of Moleskine.*

7 *Moleskine is included at 100% as from 2017.*

8 *On a post IFRS16 basis.*

9 *The average employee remuneration is calculated on the basis of the Company's employees as of 1 January 2021.*

The pay ratio 2020 between the highest person and the lowest person at the Company is 50.4.

4. Internal controls and risk management systems

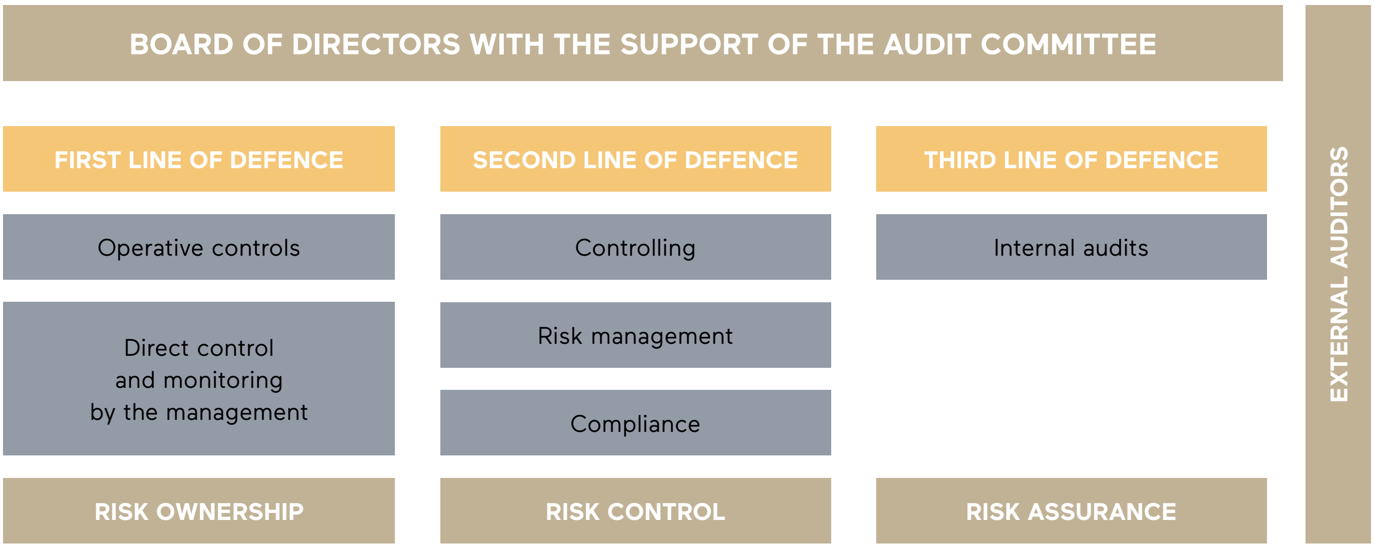
D'Ieteren Group and its activities operate in a constantly changing environment which exposes them to multiple risks, that can be classified in four main categories: legal / compliance, strategic, operational, and financial.

In order to protect their reputation while ensuring sustainable success and the achievement of corporate targets, D'Ieteren Group and its activities have in place comprehensive risk management and internal control systems. These systems have three main goals:

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

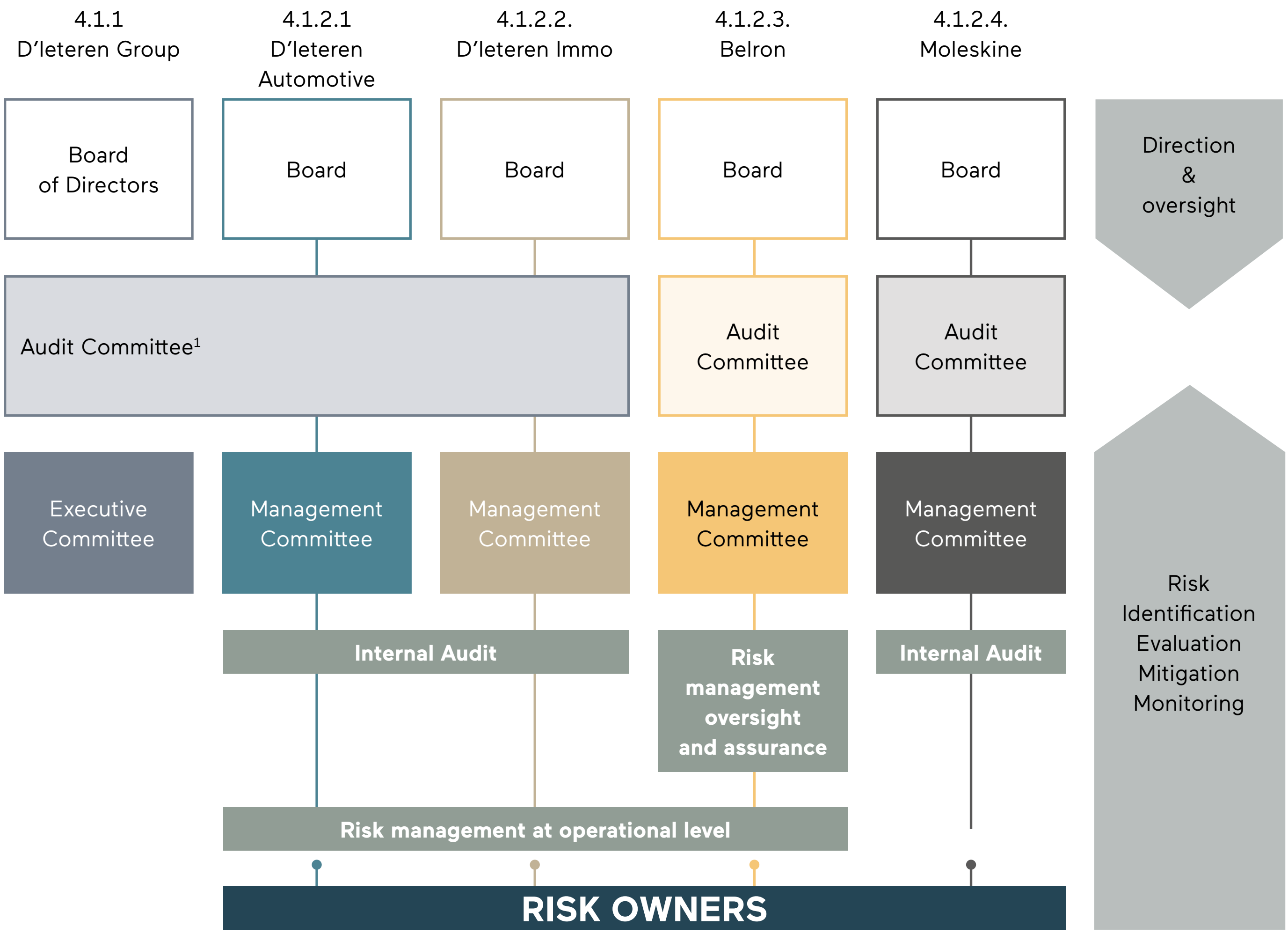
D'Ieteren Group manages the risks following the principle of three lines of defence:

- At the operational level of each activity;
- At risk management, compliance & legal levels;
- As part of Internal Audit.



4.1. RISK MANAGEMENT GOVERNANCE STRUCTURE AND RESPONSIBILITIES

The organizational structure at the level of D'Ieteren Group and the activities ensures the appropriate delegation of authorities to management and a separation of duties. Governance structure is composed of three bodies that are operating independently: the Board of Directors, the Audit Committee, and the Executive/Management Committees.



4.1.1. D'Ieteren Group

4.1.1.1. Board of Directors

The Board performs its control duties by:

(i) ensuring that D'Ieteren Group'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.

[1] *As from January 1, 2021, D'Ieteren Automotive has been carved-out as a separate legal entity from that of D'Ieteren SA and has its own Audit Committee*

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. This control focuses in particular on 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 CEO.

4.1.1.3. Executive Committee

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

4.1.2. At the level of the activities

4.1.2.1. D'Ieteren Automotive

D'Ieteren SA is the legal entity of D'Ieteren Group and D'Ieteren Automotive. D'Ieteren Automotive's Board of Directors meets at least quarterly. The members of the Audit Committee, which is the same for D'Ieteren Group and D'Ieteren Automotive convenes every quarter. Divisional directors are responsible for risk management on a day-to-day operational level.

4.1.2.2. D'Ieteren Immo

The real estate assets and operations of D'Ieteren Automotive are grouped under a single legal entity (D'Ieteren Immo SA). It has its own Board of Directors and Management Committee. The Audit Committee is the same as those of D'Ieteren Group and D'Ieteren Automotive.

4.1.2.3. Belron

Risks are monitored by the Audit Committee, which met five times in 2020. The committee is chaired by D'Ieteren Group's CFO and includes a representative from CD&R. Other (invited) participants include Belron's CFO, and Head of risk notably.

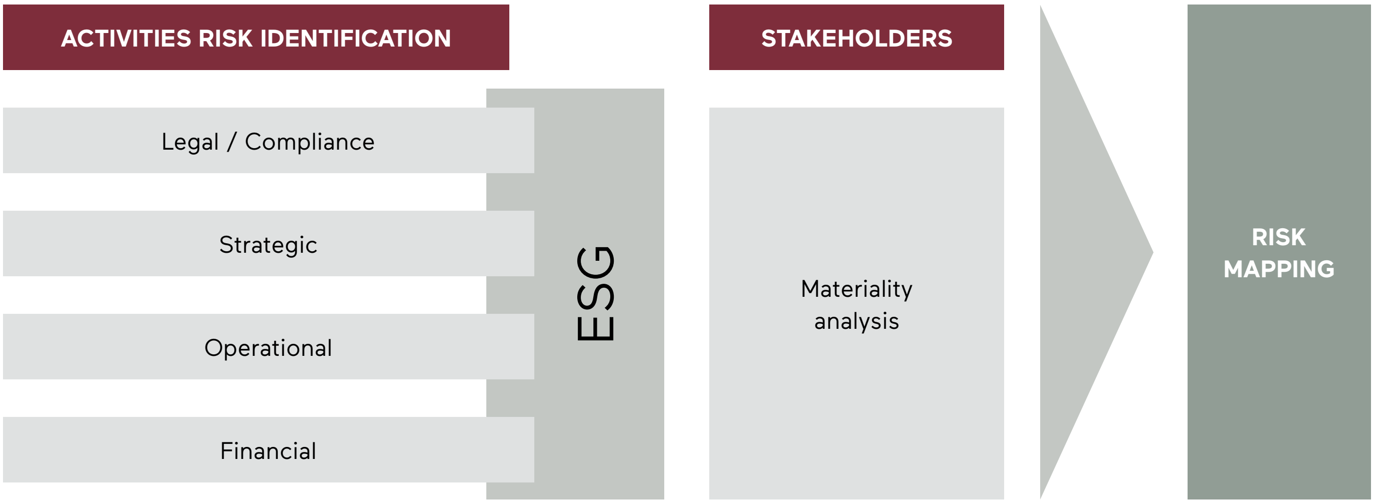
4.1.2.4. Moleskine

Risks are monitored by the Audit Committee, which met four times in 2020. The Audit Committee is chaired by D'Ieteren Group'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.

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 an external member.

4.2 RISK MANAGEMENT PROCESS

4.2.1 Risk identification/mapping



Each activity identifies its key business and financial risks by assessing factors risks that could have an impact on the future operations and financial returns of the business and by dressing a comprehensive risk analysis. Consequently, environmental, social and governance (ESG) risks takes an important place in risk identification.

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 Legal/Compliance, Strategic, Operational or Financial. ESG aspects are taken into consideration transversally across these four categories.

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 Group'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.

With regards to financial risks, 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.

In order to identify the most relevant non-financial risks, each business has conducted a materiality analysis in dialogue with its stakeholders. This materiality analysis highlights topics that significantly influence the organisation as well as topics on which the organisation has a significant influence.

Furthermore, D'Ieteren Group is aware of the impact climate change can have on their businesses. Due to the diverse nature of its activities, D'Ieteren Group is facing risks related to the transition to a lower-carbon economy as well as risks related to the physical impacts of climate change. For that matter, D'Ieteren Group is working to commit to the Task Force on Climate-related Disclosures (TCFD) and to bring its reporting in line with their recommendations. Accordingly, different climate-related risks are integrated in the existing overall risk management process.

4.2.2 Review and execution of mitigating plans

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

Mitigating actions include for instance the introduction of strict procedures and frameworks, 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 also mitigated by environmental and social actions initiated by the activities as each business is working on its sustainability strategy and monitors its performance on some ESG materials topics.

Concerning TCFD-related risks, D'Ieteren Group has initiated the integration process of these risks in its risk management. D'Ieteren Group and its activities will work on mitigating plans responding to these climate related-risk in the years to come.

4.2.3 Reporting

The Internal Audit Managers of Moleskine, D'Ieteren Automotive and Immo 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 Group

› LEGAL / COMPLIANCE

CORPORATE GOVERNANCE

Risk of deficient governance (composition and functioning of corporate bodies, decision-making process and/or risk management).

POTENTIAL IMPACT

- A governance default could lead to a failure to achieve long-term strategic objectives. A deficient governance might lead to an imbalance of the interests of all relevant stakeholders (shareholders, management, employees, clients, suppliers, etc.).
- If D'Ieteren Group fails to comply with applicable laws and regulations it could lead to claims and fines. It could have adverse financial and reputational impact.

MITIGATING ACTIONS

As a listed company, D'Ieteren Group complies with the corporate governance regulations which aim to provide the adequate checks and balances in the decision-making-processes of the company. D'Ieteren Group has approved a Corporate Governance Charter which provides clear guidelines for the functioning of the corporate bodies at group level. A corporate governance statement is also included each year in D'Ieteren Group's annual report where a detailed review is provided of all corporate governance aspects of the company.

D'Ieteren Group adheres to the 2020 Belgian Code of Corporate Governance, and reports every year on any deviation from the recommendations of the Code.

LISTED COMPANIES REGULATIONS

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

POTENTIAL IMPACT

- D'Ieteren Group's share price and market capitalization could be affected.
- D'Ieteren Group could face significant fines if laws or regulations are breached. That could lead to a loss of confidence from investors and analysts.
- D'Ieteren Group could fail to attract capital under the form of equity or debt if needed.

MITIGATING ACTIONS

- The various activities have monthly business reviews where financial performance is assessed.
- The consolidation process is based on a centralized accounting software to ensure consistency across the participations. D'Ieteren Group'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 Executive Committee checks that the consolidated results are aligned with the guidance provided to the market (if any).
- The financial reports and press releases related to the full year, half-year results or other intermediary periods 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.

These conditions can be influenced by environmental, social or economic threats and opportunities. Climate change will typically have a significant influence in the years to come.

POTENTIAL IMPACT

- Poor capital allocation decisions could impact shareholder value creation and lead to share price underperformance.
- Investors and analysts could lose their confidence in D'Ieteren Group.
- This risk could also lead to write-downs and impairment losses.

MITIGATING ACTIONS

- D'Ieteren is a family of businesses with a long-term focus. D'Ieteren Group aims at full control, a majority stake or the option to gain a majority stake in its participations.
- D'Ieteren Group reviews on an annual basis the strategy of its different activities and then decide on investment or divestment opportunities.
- For new activities, an in-depth due diligence is reviewed by an Investment Committee, the Strategic Committee and the Board. D'Ieteren Group's Executive Committee members are board members at the level of the participations.
- Every material investment is subject to an in-depth due diligence process including an ESG analysis. The ESG due diligence takes into account the possible impact of climate change on the potential investment.

› OPERATIONAL

GLOBAL HEALTH CRISIS

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

POTENTIAL IMPACT

- A pandemic outbreak could lead to several operational disruptions at the level of the businesses, notably on the fronts of absenteeism, potential lockdowns and additional costs.
- These could in turn lead to an inability to operate and have severe financial impacts at the Group level

MITIGATING ACTIONS

- D'Ieteren Group complies with all regulations and recommendations issued by governmental or regulatory bodies in terms of health and safety related to a pandemic outbreak.
- Our IT systems allow for efficient home-working to avoid working disruptions. We check that our sites have enough space in order to maintain the right distances between people and we equip and train adequately our personnel in order to have the safest performance possible on site. We have financial systems and controls allowing to focus on costs mitigation measures and strict working capital, capex and financing policies securing and preserving ample liquidity positions.

TALENT & LEADERSHIP

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

POTENTIAL IMPACT

The departure of key personnel or the failure to attract new talents could have an impact on D'Ieteren Group's monitoring of existing activities and positioning with regards to new acquisitions/divestments.

MITIGATING ACTIONS

Employee satisfaction surveys are conducted on a regular basis, which are followed by concrete actions. Development opportunities and trainings are offered to personnel, as well as competitive compensation (short- and long-term) packages vs market.

› 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 Group's investment strategy.
- Failure to comply with, or significant changes in fiscal regulations could have significant financial impacts.

MITIGATING ACTIONS

- D'Ieteren Group invests in activities while maintaining a solid financial structure. D'Ieteren Group's activities are generally financed independently through non-recourse debt.
- At the end of 2020, D'Ieteren Group's net cash position amounted to EUR 1,455 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.

4.3. MAIN RISKS / 4.3.2. D'Ieteren Automotive

› LEGAL / COMPLIANCE

CORPORATE GOVERNANCE

Risks related to deficient governance (e.g. corporate organization, functioning of the corporate bodies, decision-making process and risk management).

POTENTIAL IMPACT

D'Ieteren Automotive could fail to achieve targets if decisions are taken without being adequately challenged/authorized. A governance default could lead to adverse reputational and financial impact including claims and fines.

MITIGATING ACTIONS

A clear allocation of responsibilities and decision-making power is established through adequate corporate bodies and delegations of power. Since January 1st 2021, D'Ieteren Automotive has set up an audit committee as well as a nomination and remuneration committee. These committees assist the Board of directors in matters relating to financial statements, internal control, risk management, appointments and remuneration.

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 Automotive's reputation and results. Disrespectful and inappropriate behaviour may also have a negative impact on the working atmosphere.

MITIGATING ACTIONS

- D'Ieteren Autmotive'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 as well as the effective setting up of an efficient whistleblowing system.
- 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 has been delayed due to Covid-19 but will be implemented throughout the organisation in 2021-2022.

COMPETITION LAW

Risks related to breaches of European and Belgian competition laws which prohibit anti-competitive practices (e.g. collusion) 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 Automotive'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

MARKET SHIFTS AND CONDITIONS

Risks due to unfavourable changes in automotive or mobility policies (regarding energy, climate, environment, taxation, etc.) 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.

Changes in policy and possible market shifts are largely climate change-related. Aware of that, D'Ieteren Automotive has identified them as transition risks following the TCFD recommendations.

POTENTIAL IMPACT

Changes in regulations and market trends may impact the volume of vehicles sold and/or leased and/or the models and hence price of the vehicles sold on the Belgian market. These changes can lead to negative impact on margins.

The growing penetration of alternative powertrains (e.g. 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 Automotive's vision aims at building seamless and sustainable mobility for everyone with the ambition of being the natural choice in Belgium for mobility. Lab Box, a 100% subsidiary of D'Ieteren Automotive, 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. D'Ieteren Automotive's hybrid and full electric vehicle offer is also set to expand significantly as Volkswagen Group aims at over 40 new electric models including 25 pure electric models by 2025 and remuneration committee. These committees assist the Board of directors in matters relating to financial statements, internal control, risk management, appointments and remuneration.

RELATIONSHIP WITH VOLKSWAGEN GROUP

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

POTENTIAL IMPACT

A change in the relationship D'Ieteren Automotive has with Volkswagen Group could have a negative financial impact, and lead to redundancies and reputational damage.

MITIGATING ACTIONS

The relationship with key suppliers is based on D'Ieteren Automotive'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 transparent and trust-based relationship allows D'Ieteren Auto to always keep an open dialogue with Volkswagen Group.

› STRATEGIC

MAJOR PROJECTS

Risks related to the implementation of the strategy aiming to prepare D'Ieteren Automotive for the future of mobility. It includes the acceleration of the transformation of existing activities, the development of new activities and the expansion into adjacent activities.

POTENTIAL IMPACT

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

MITIGATING ACTIONS

The governance related to 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. Division program managers are responsible for overseeing projects in every departments and have been trained in project management.

OPERATIONAL

TALENT & LEADERSHIP

Risk that D'Ieteren Automotive 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 additional costs. D'Ieteren Automotive'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, and ensure their well-being.

MITIGATING ACTIONS

- D'Ieteren Automotive aims to be an attractive employer brand to attract and retain best talent. Personal and professional development is encouraged through feedback and coaching, as essential components of the performance appraisal process. The CaReer Model increases transparency in terms of competencies and expected deliverables while offering career opportunities across the business. Talent profiling exercises and Talent Review discussions enable effective Succession Plans for key positions.
- MySkillCamp, the Learning & Content Management platform, allows employees to learn autonomously. The development of a learning culture is also supported by the creation of the D'Ieteren Academy. As part of the Employee Value Proposition initiative, a concrete action plan has been defined in order to promote inclusion and diversity within D'Ieteren Automotive, with gender diversity as primary focus. This includes reviewing the way we attract, select and develop diverse talent in the organisation.
- Finally, 'Leading the D'Ieteren Way' program aims at developing self-leadership and collaboration based on corporate values.
- D'Ieteren Automotive continuously invests in creating the learning mindset that is key to build its 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

A failure in IT systems and protocols can lead to business disruption or interruption. This could in turn have a negative impact on sales and financial results. Data leaks or non-compliance to privacy regulations may lead to reputational damage, loss of trust of customers, factories and employees. Fines for non-GDPR compliance can amount to up to 4% of the annual turnover.

MITIGATING ACTIONS

- Technical/software controls (e.g. firewalls, antivirus) are installed. Physical controls (e.g. security doors for computer rooms, badge readers) are implemented. A Data Protection Officer and a Chief Information Security Officer have been appointed. The CISO reporting directly to the CIO, has now the responsibility of Business Resilience (previously Business Continuity Plan). It includes for instance the capacity to anticipate major problems and risks and to put in place the right action plans. A new strategy is being developed, relying on a robust, performant and resilient IT infrastructure.
- Risks and protocols are widely communicated to improve employee awareness, and trainings are organized 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 have been put in place. A cyber roadmap to enforce controls that protect against cyber threats and prevent compliance breaches has been defined and is being implemented.

EMPLOYEES' HEALTH, SAFETY & WELL-BEING

Health and safety risks related to the use of potentially dangerous machinery and chemicals, the work environment, the handling of goods and psychological issues (e.g. stress and undesirable behaviour).

POTENTIAL IMPACT

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

MITIGATING ACTIONS

D'Ieteren Automotive has a zero-tolerance policy regarding breaches of safety standards. The H&S department carries out risk assessments and monitors protection measures (e.g. the use of safe tools and machinery and protective equipment). The H&S department also organizes workshops on fire prevention, health and safety issues such as ergonomics, first aid, the safe use of chemicals and electrical risks and wellbeing topics such as stress reduction, the quality of sleep, introduction of mindfulness. Employees can count on help from an external prevention advisor in the case of psychological issues. The company complies with national health and safety requirements.

OPERATIONAL

GLOBAL HEALTH CRISIS

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

POTENTIAL IMPACT

A pandemic outbreak and the potential resulting restrictions taken from the authorities (lockdowns, closure of showrooms, etc.) can lead to the inability to deliver ordered vehicles or provide after-sales services and to other supply chain disruptions, and have a severe financial impact.

It can also lead to increased employee absenteeism and an increase of psychological issues.

MITIGATING ACTIONS

- D'Ieteren Automotive complies at any time with governmental and regulatory bodies' instructions and recommendations and puts emphasis on protecting its employees, customers and suppliers.
- IT systems allow for homeworking and new orders through an online platform, which mitigates the risk.

CLIMATE CHANGE

Risk related to acute or chronic natural events such as the raise of sea-level, extreme temperatures, or other climate-related natural disasters. D'Ieteren Automotive has highlighted this physical risk of climate change during his work on TCFD recommendation. Transition risk is mostly addressed in "Market shift and conditions".

POTENTIAL IMPACT

D'Ieteren Automotive could see its infrastructure or inventories damaged by climate change events (flooding, storm, hail etc.). The damages caused would affect the operations and potentially create financial loss.

Natural events could hurt the supply chain of D'Ieteren Automotive (water shortages, extreme temperature, flooding, food security for employees).

MITIGATING ACTIONS

- Management is aware of TCFD recommendations regarding physical and transition climate change risk and will further work on it in the years to come.
- As to mitigate climate change, D'Ieteren Automotive has the ambition to be a major player in sustainability namely through the upcoming attractive electric/hybrid product offering by Volkswagen. It is also taking the following measures in its own operations: working from home and environmentally friendly solutions are offered to employees, and employees are trained to correctly sort and collect waste. Site visits occur regularly by a project coordinator of the main waste collector for the optimization of the on-site waste management. Waste container parks are present on several sites.

CUSTOMER SATISFACTION

Risk related to customer's experience.

POTENTIAL IMPACT

A failure to satisfy customer needs or dissatisfied clients can lead to a negative reputational impact.

MITIGATING ACTIONS

- Customer satisfaction measurement currently relies solely on factory implemented process, but describes imperfectly customer experience across all touchpoints in the customer journey. As from 2021, customer satisfaction will be measured through a new tool (NPS) and we will accelerate customer experience monitoring through a new Voice of Customer (VOC) platform and translate it into consecutive actions.

FINANCIAL

FINANCIAL INFORMATION AND CONTROLS

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 Automotive's financial performance to investors and other stakeholders can lead to regulatory scrutiny, loss of confidence from stakeholders and reputational damage.

MITIGATING ACTIONS

The financial statements are prepared by D'Ieteren Automotive'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 Group. 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.

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 macroeconomic factors.

POTENTIAL IMPACT

Leasing contracts may turn out to be unprofitable if residual values drops and lead to negative financial impacts.

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.

LIQUIDITY AND INTEREST RATES (VDFIN)

Risks related to the financing of D'Ieteren Automotive and Volkswagen D'Ieteren Finance (VDFin), a provider of retail finance, operating leases and financial leases. VDFin also provides financing to the dealer network. As a new stand-alone entity D'Ieteren Automotive has to secure its own financing.
Note: VDFin is a joint venture between D'Ieteren Automotive (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 D'Ieteren Automotive and VDFin's competitive positions and financial performances.

MITIGATING ACTIONS

At the beginning of 2021, D'Ieteren Automotive is relying on an intragroup loan of D'Ieteren Group. This loan will be refinanced in the course of 2021 through, inter alia, bank loans and revolver credit facility with the adequate maturity and liquidity.

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.

4.3. MAIN RISKS / 4.3.3. D'Ieteren Immo

› LEGAL / COMPLIANCE

GOVERNANCE

Risks related to deficient governance (e.g. functioning of the corporate bodies, decision-making process and risk management).

POTENTIAL IMPACT

D'Ieteren Immo could fail to achieve targets if decisions are taken without being adequately challenged/authorized. A governance default could lead to adverse reputational and financial impact including claims and fines.

MITIGATING ACTIONS

A clear allocation of responsibilities and decision-making power is established through adequate corporate bodies (Board of directors and Executive Committee).

ENVIRONMENTAL REGULATIONS

Risks related to increasingly stringent environmental regulations.

Risks related to environmental permits and the operations of its tenants.

These risks are reflecting transition risks from the TCFD recommendations.

POTENTIAL IMPACT

A failure of D'Ieteren Immo to comply with evolving real estate environmental regulations could lead to financial and reputational damage, claims and fines. A non-timely adaptation of D'Ieteren Immo to fast changing environmental requirements might create higher costs to satisfy regulatory requirements in the future.

MITIGATING ACTIONS

D'Ieteren Immo is committed to a reduction of its environmental footprint. T his reduction is executed through different channels:

- **Climate positive building:** Over recent years, various measures have been implemented aimed at using energy more efficiently while integrating alternative energy sources such as solar panels and cogeneration.

- **Natural environment:** D'Ieteren Immo is working to increase biodiversity on sites. In order to do so, the respect of the natural environment is taken into account in designing, building and maintaining the infrastructures.

- **Efficient material management:** D'Ieteren Immo works to contribute to a circular economy by reducing waste and encouraging reuse throughout the life cycle of its projects. Furthermore, the choice of materials is done in the most eco-friendly way possible.

- **Smart water management**: D'Ieteren Immo ensures a smart water management system and a reduction of its water consumption by using rainwater, encouraging water recycling and limiting rainwater run-off.

- **Environmental care plan**:
  A partner (Arcadis) has been chosen to set up an environmental care plan for D'Ieteren Immo and its tenants in order to monitor and manage the risk of environmental regulations and take actions where requested.
  D'Ieteren Immo allocates 10% of its FTEs on monitoring innovative methods and technologies in order to constantly improve sustainable performances.

› 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.
- An accident occurring on a building site can lead to reputational damage.
- Cost overruns have a negative impact on a project's return on investment.

MITIGATING ACTIONS

- The financial situation of the contractors is thoroughly screened. For example, credit 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).
- Warranties are requested from the contractor in order to ensure the risk of responsibilities during construction phases.

OCCUPANCY RATE

Risks related to occupancy rates. D'Ieteren Automotive is by far the main tenant (84% of total rental income) of D'Ieteren Immo's real estate.

POTENTIAL IMPACT

A loss of revenues and extra costs could occur if the occupancy rate declines.

MITIGATING ACTIONS

D'Ieteren Immo's real estate assets are increasingly diversified (e.g. residential, commercial, workshops, offices), and a focus is set on multifunctional sites that can be developed for various purposes. Unoccupied space is rented out to other tenants besides D'Ieteren Automotive. Some dealership sites that are no longer used by D'Ieteren Automotive are reused, transformed, reinvested or sold.

TALENT & LEADERSHIP

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

POTENTIAL IMPACT

The departure of key personnel or the failure to attract new talents could have an impact on D'Ieteren Immo's ability to pursue its strategy and ongoing projects and have a negative financial impact.

MITIGATING ACTIONS

D'Ieteren Immo invests in its employees' development by offering trainings and development opportunities. Employee satisfaction is measured regularly and concrete actions are taken according to these surveys. D'Ieteren Immo strives for an openminded and purposeful communication and offers competitive compensation packages.

› OPERATIONAL

CLIMATE CHANGE

Risks related to more frequent and severe extreme weather events such as the rise of sea level, extreme temperatures, or climate-related natural disasters. D'Ieteren Immo has highlighted these physical risks of climate change during his work on TCFD recommendations. These are long-term risks but which can be highly material.

The transition risk is treated in "Environmental regulations".

POTENTIAL IMPACT

Severe extreme natural disasters such as floods caused by heavy rainfall or long-term shift in weather such as sea level rise could severely damage buildings, decrease their value or even lead to assets being rendered unusable and have significant financial consequences.

MITIGATING ACTIONS

- The main mitigating action at this stage relates to the diversification of the locations of the buildings.
- Management is aware of the TCFD recommendations and of the risks and at this stage, within D'Ieteren Immo's portfolio, no such physical relevant risk has been detected.

GLOBAL HEALTH CRISIS

Risks related to the outbreak of a pandemic (e.g. Covid-19).

POTENTIAL IMPACT

The outbreak of a pandemic such as Covid-19 could lead to tenants' financial distress and have negative financial consequences for D'Ieteren Immo.

MITIGATING ACTIONS

- At any point, the utmost priority is to protect employees, customers and all visitors on D'Ieteren Immo's locations; notably by following strictly the governmental and regulatory recommendations.
- D'Ieteren Automotive is D'Ieteren Immo's main tenant, and the financial risk is mitigated at D'Ieteren Automotive because it remained largely active and profitable during the pandemic.
- For the rest, D'Ieteren Immo looks after the ability of its tenants to face potential crises with regards to their financial resources. Other tenants are mainly active in vital industries (e.g. food retailers) and are therefore unaffected by the crisis.
- On a long-term perspective, D'Ieteren Immo analyses its portfolio to ensure the value of the locations and look at the possible shifts from a tenant to another or at selling the asset.

› FINANCIAL

FINANCIAL INFORMATION AND CONTROLS

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 Immo's financial performance to stakeholders can lead to regulatory scrutiny, loss of confidence from stakeholders and reputational damage.

MITIGATING ACTIONS

The financial statements are prepared by D'Ieteren Immo'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 Group. 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.

4.3. MAIN RISKS / 4.3.4. Belron

› LEGAL / COMPLIANCE

CORPORATE GOVERNANCE

Risks related to deficient governance (functioning of corporate bodies, delegation of powers, risk management).

POTENTIAL IMPACT

- Belron could fail to achieve targets if decisions are taken without being adequately challenged/authorized.

MITIGATING ACTIONS

- A clear allocation of responsibilities and decision-making process is established through adequate corporate bodies and delegations of power. Belron has an audit committee as well as a remuneration committee, which assist the Board of directors in matters relating to financial statements, internal control, risk management and remuneration.

COMPETITION LAW, DATA PROTECTION LAW & ANTI-BRIBERY & CORRUPTION

Risks related to a breach of laws and regulations typically governing consumer-facing businesses of the type, size and scope of Belron, in particular laws relating to Competition, Data Protection (e.g. customer and employee data), and Anti-bribery & Corruption.

POTENTIAL IMPACT

- An infringement could result in legal proceedings, fines, and damages to affected parties.
- It may also harm the reputation and operations of Belron.

MITIGATING ACTIONS

- Established policies, procedures, and guidance/training related to such risks are in place as appropriate and are updated as necessary.
- The Legal Team reviews contracts and advises on key business activities supported, where appropriate, by Competition law audits/assessments.
- The Legal team works closely with the Group Information Security (CISO) team in relation to data protection.
- Outcomes arising from this assurance work are separately reported to the Audit Committee and/or the Board.
- Advice and opinions are also sought from specialist external counsel, as and where thought appropriate.

VEHICLE GLASS INDUSTRY REGULATION

Risks related to the introduction, or increase, in industry regulation, such as licensing, additional qualification requirements for performing a recalibration job, and risks related to there not being open access for the aftermarket to in-vehicle data.

POTENTIAL IMPACT

- Changes in regulation can impact job volumes and may increase costs.
- Non-compliance could have an impact on customer safety.
- Secured gateway or similar technology introduced by vehicle manufacturers for in-vehicle data access could make recalibration work more costly and complex.

MITIGATING ACTIONS

- ADAS is recognized as a major safety feature.
- Belron monitors the potential introduction, or changes, to industry regulation, and determines appropriate responses and actions.
- Belron seeks and lobbies for open access to vehicle systems (including, where appropriate, challenging the introduction of secure gateway type technology) to allow for a healthier competitive environment.

› 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 overall performance of Belron and includes multiple 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.

VEHICLE 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 ADAS sensors/cameras.

Risks related to the ability of Belron to access vehicle repair and maintenance information (RMI), including from in-vehicle data systems, for example, in order to recalibrate ADAS.

Risks related to the development of reliable self-recalibrating ADAS.

POTENTIAL IMPACT

- Failure to adapt to technological advancements and developments, any inability to access new or technologically complex vehicle parts or repair and maintenance information for any vehicle may impact the ability of Belron to service all vehicles, and have an adverse impact on Belron operations.
- An inability to access the necessary RMI may impact the ability of Belron to perform certain jobs/ADAS recalibrations.
- The development of reliable self-recalibrating ADAS technology may affect the volume of recalibration work able to be performed 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 everchanging technological advancements in vehicles, vehicle glass and ADAS recalibration.
- The central Belron Technical team comprises individuals with expertise in Advanced Driver Assistance Systems, and their recalibration.
- Through lobbying and other activities, Belron seeks to ensure continued aftermarket access to necessary RMI and parts/technology, including through participation on working groups/lobbying the European Commission on the current Motor Vehicle Block Exemption renewal.

› STRATEGIC

MARKET SHIFTS AND CONDITIONS

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

In particular, VGRR volumes can be impacted by governmental policies related to infrastructure projects with an impact on road conditions, as well as related to speed limits. Changes in consumer behavior (including car sharing and homeworking) can have an impact on miles driven.

Risks related to the market structure, notably the emergence of new market places, intermediaries, or changes in the mix of Belron clients, with potentially less private cars and more fleet, leasing, and rent-a-car operators.

POTENTIAL IMPACT

- Unforeseen changes in market trends can have a negative impact on market shares, growth, pricing, sales, and financial results.
- Governmental policies regarding infrastructure and speed limits could impact incident rate and hence VGRR volumes.
- Fleet, leasing, and rent-a-car operators organize tenders for their volumes with lower prices.

MITIGATING ACTIONS

- Global and local country developments are actively monitored and fed into 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.

GLOBAL HEALTH CRISIS

Risks related to the continuation of the COVID-19 pandemic.

POTENTIAL IMPACT

- Potential related government and regulatory restrictions could lead to temporary sites closures, and consequently lower volumes.

- It could also lead to increased absenteeism.

MITIGATING ACTIONS

- The priority is to protect the health and safety of all employees and customers. National and local governmental and regulatory recommendations are strictly followed. Actions to introduce large-scale remote working and/or the temporary closure of certain sites are taken where appropriate.
- VGRR fitting practices are regularly reviewed and adapted to ensure the safety of our personnel and our customers, for example the use of personal protective equipment, social distancing protocols, and vehicle sanitization.
- If necessary, State support is used, namely in the form of furloughing or temporary unemployment.
- Significant focus is also put on protecting the company’s financial resources and liquidity namely through cost and capex containment and working capital management.

› STRATEGIC

CLIMATE CHANGE

Risk related to potential physical effects of climate change, such as extreme temperatures or any other climate-related natural disasters.

Risks related to climate-change driven regulations, notably on waste management.

POTENTIAL IMPACT

- Belron operations could be impacted by change in weather and extreme temperatures, and by site damages following natural disasters. The latter could also lead to supply chain disruptions. The impact is hard to predict, as extreme temperatures can also lead to a higher incidence of glass breakage.
- A failure to comply with stringent environmental laws, such as future waste management regulations or taxes, could lead to fines and harm Belron's reputation.

MITIGATING ACTIONS

- Being highly geographically diversified, the physical risk is naturally mitigated. Management is aware of the potential impacts of climate change and will work on further mitigating actions in the years to come.
- Belron works hard to moderate its impact on the environment. Its main actions are to ensure a reduction of its climate impact (CO_2 emissions), an efficient waste management programme ('repair first' strategy, recycling, etc.), and a sustainable procurement approach for all its business units.
- The performance of the business on these aspects is included in the Ecovadis assessment.

› OPERATIONAL

TALENT & LEADERSHIP

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

POTENTIAL IMPACT

The inability to continue to identify, attract, and retain the best people, and the failure to ensure employee well-being, 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 has introduced a new Global Employee Engagement survey that annually, and at key points throughout the year, monitors their employee's levels of engagement and their experience working for the company. This is followed up by sharing the results with the employees and creating robust action plans.
- The business focuses on the development and growth of its people through specific initiatives focused on reviewing talent, succession planning, leadership development and ongoing training.
- 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.

Risks 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

- Appointment of dedicated Global CISO to oversee global cybersecurity programme and establish industry standard capability and maturity targets.
- Belron conducts annual internal and external assessments of general IT controls, measured against industry recognized security, risk and compliance frameworks for control effectiveness and continued relevance. Remedial actions are captured, risk assessed, and appropriate actions are taken by business units as required.
- Annual, third-party, comprehensive penetration testing is conducted against all areas of the business (internally and externally). Remedial actions are prioritised and tracked by global cybersecurity programme, with management oversight.
- The Belron Global Transformation Programme includes significant IT investments in next generation technologies, specifically in the areas of IT infrastructure, IT security, and enterprise system/applications.

KEY ACCOUNTS AND CUSTOMER SATISFACTION

Risks related to the loss of a major account. The Belron business model is based upon constantly achieving high customer satisfaction levels and the highest safety standards, which also reflect mutually beneficial results for both Belron and its Key Account partners.

POTENTIAL IMPACT

Loss of a key account could impact sales and utilisation of resources in the short-term.

MITIGATING ACTIONS

- Belron maintains a close relationship with its insurance, fleet, and lease Key Account partners, and is committed to delivering mutually beneficial results for both parties.
- To achieve this, each Key Account has an 'owner' from the Sales team who builds, executes, and monitors plans to ensure results are being achieved. These plans are overseen by the Sales Director within each country. For the largest Key Accounts, these plans are overseen by the Belron Sales team.
- Customer satisfaction is measured on a weekly basis in every business unit through Net Promoter Score.

› OPERATIONAL

EMPLOYEES HEALTH, SAFETY AND WELL-BEING

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, replacement and recalibration, through its service centers or mobile fleets, its supply chain sites, or driving at work).

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.
- Extensive training programmes for all its technicians are delivered through locally based technical teams.
- Each business unit is responsible for implementing measures to comply with national safety requirements and standards.
- 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.
- Employees well-being is key to Belron's success. Employee engagement is measured regularly, and if necessary followed by adequate actions and measures.

SUPPLY CHAIN AND SERVICE DELIVERY

Risks related to the sourcing of vehicle glass, polyurethane, repair resin and other products through strategic (primary) suppliers. Risks in the operational supply chain to deliver consistent availability of product from any of the Belron distribution centers, responses to customers' contacts through its call centers, and execution of vehicle glass repair, replacement, or recalibration services.

In addition, risks arising from trade tariffs between the US and China, and the possible impact of border controls in Europe post-Brexit.

POTENTIAL IMPACT

A temporary loss of one of the distribution centers, or call centers, or the loss of a key supplier, or the potential scarcity of raw material, could result in business disruption. This could damage established customer service levels and impact financial performance.

MITIGATING ACTIONS

- The Belron Supplier Code of Conduct was updated and enhanced during the year. In addition to setting out the underlying principles on which supply chain relationships at Belron are based, it now includes environmental considerations, responsible sourcing, and sustainability.
- A Supplier Sustainable Procurement programme monitors suppliers' adherence to the Code of Conduct.
- A strategy to de-risk sourcing from glass, repair resin, and accessory manufacturers and suppliers is in place. This is regularly monitored, including through an extensive programme of Supplier Audits.
- As part of the service delivery, Business Continuity Plans are designed to ensure resilience of operations should a significant adverse event occur. Belron places property damage/business interruption insurance to cover the loss of any of its major distribution centers or call centers, and its property insurers perform regular, routine inspections of key sites.
- The impact of trade tariffs between the US and China is being partially mitigated through leveraging global supplies, including the optimisation of supply across, and within, geographical regions. The business has specifically identified the risks associated with the post-Brexit period and has developed contingency plans.

› FINANCIAL

FINANCIAL INFORMATION AND CONTROLS

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

POTENTIAL IMPACT

A failure in financial control processes could have a negative impact on results, lead to a lack of financial resources to execute the strategy, and have a detrimental impact upon the reputation of the business.

MITIGATING ACTIONS

- Financial performance is regularly monitored. 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 function overseeing activity.
- 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.

FOREIGN EXCHANGE RATES, INTEREST RATES AND 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. Funding may prove difficult to renew in adverse financial markets. These could imply 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 mainly in USD, EUR, and GBP, thereby providing a natural currency hedge.
- The currency mix of the financial debt vastly reflects the EBITDA contribution per currency.
- Belron aims to generate a strong free cash flow, and manages liquidity risk by maintaining sufficient cash and funding available. In that respect, the RCF has been extended from € 280m to € 400m in 2020.
- The financing strategy relies on a maximum leverage and Belron has a credit rating of BB with S&P and Ba3 with Moody's. The maturity of the financial debt is long-dated and spread across various terms to avoid a main refinancing risk.
- The exposure to variable interest rates arising on the Term Loan facilities are hedged through a series of interest rate swaps.

4.3. MAIN RISKS / 4.3.5. Moleskine

› LEGAL / COMPLIANCE

CORPORATE GOVERNANCE

Risks related to deficient governance (functioning of corporate bodies, delegation of powers, risk management).

Compliance risk related to relevant regulations and laws.

POTENTIAL IMPACT

- Moleskine could fail to achieve targets if decisions are taken without being adequately challenged/authorized.
- Breach of laws and regulations can result in lawsuits, fines and reputational damage.

MITIGATING ACTIONS

- A clear allocation of responsibilities and decision-making process is established through adequate corporate bodies and delegations of power. Moleskine has an audit committee which assists the Board of directors in matters relating to financial statements, internal control and risk management.
- 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.

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 and unintentional internal user actions.

POTENTIAL IMPACT

A breach in the data privacy could affect the reputation of Moleskine, lead to a loss of trust of customers, factories and employees. A failure to comply with GDPR could lead to fines.

MITIGATING ACTIONS

Actions to protect data and to be compliant with GDPR are in place. These include policies, procedures and training especially for high-risk profile employees who have access to personal data. An external Data Protection Officer monitors the compliance of the Moleskine Data treatment processes.

› STRATEGY

MARKET SHIFTS AND 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 behaviour.

A shift in the consumer behaviour could be linked to a shift to more environmentally-friendly consumption patterns. This risk is aligned with the TCFD-disclosure recommendations and represents a transition risk.

POTENTIAL IMPACT

An economic downturn or a market shift could have a negative impact on demand for discretionary consumer goods and put large distributors and retailers under pressure. This would impact financial results negatively.

MITIGATING ACTIONS

- Moleskine is continuously monitoring emerging trends and mindstyle changes, including potential shift to environmentally-friendly product offering. Novelties mitigate the impact from economic downturns. Macro-economic risks are also mitigated through geographic diversification given Moleskine's global presence.
- In 2020, risks related to customer concentration has been impacted by Covid: sales in "brick-and-mortar" both wholesale and proprietary have significantly decreased partly mitigated by an increase of online sales both in market places and our own e-commerce platform (+16%).
- In 2020, the top 5 customers represented 23% of total company sales.
- Moleskine's multi-channel strategy, including wholesale, B2B, retail and e-commerce also ensures diversification which mitigates the risks.

MAJOR PROJECTS

Risks related to the implementation of the strategy, namely "Fewer – Bigger – Better".

POTENTIAL IMPACT

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

MITIGATING ACTIONS

- Moleskine has put in place a 5-year plan with objectives, goals, strategies and measurement of the execution of each strategic action, through project management platform and processes.

› **OPERATIONAL**

SUPPLY CHAIN AND INVENTORY MANAGEMENT

Risks related to the supply chain and outsourced production.

Risk related to unethical supply chain.

Risks related to trade barriers and tariffs.

Risk related to high inventory levels.

POTENTIAL IMPACT

- Revenues and results could suffer if manufacturers fail to fulfil their contractual obligations in terms of timing.
- A failure to assure ethical supply chains would be highly harmful to Moleskine's reputation.
- Trade barriers and tariffs could also have a negative impact on results.
- Excess or obsolete inventories might lead to negative financial and ecological impact.

MITIGATING ACTIONS

- New suppliers are currently under evaluation to secure suppliers back up, to reduce the risk related to trade tariffs, business continuity and ethical processes (social audits and Sedex registration required).
- Moleskine has undertaken mitigating actions to reduce inventory: selective buying strategy according to commercial catalogues clusterization and de-stocking initiatives of old inventory are established.

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

A failure in processes and controls could be detrimental to the reputation of the business.

MITIGATING ACTIONS

- Internal policies and procedures are implemented and published on an intranet portal, the most relevant being: quality control and products quality complaints procedure, suppliers of goods evaluation and selection, credit policy and contract procedure. The internal delegation of authorities grid is set and published.
- Release strategies in the ERP is constantly reviewed according to organizational changes.

TALENT & LEADERSHIP

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

Risks related to a lack of employee diversity.

POTENTIAL IMPACT

The inability to continue to identify, attract and retain the best people or to ensure employee well-being could lead to a high turnover, have a negative impact on strategy execution, and in turn might have a negative financial impact.

MITIGATING ACTIONS

- In 2020, Moleskine's People Strategy followed 2 different approaches:
  - All along the year it enhanced all internal activities to reinforce one of the Moleskine Culture Pillars, "Care", much needed during the Covid-19 pandemic.
  - Moreover, it started building the right conditions to become a "better place to work", through a reinforcement of our corporate unique culture and 2 main drivers "People Experience" and "People Growth and Development". To get there, a People System, which is a structured set of activities, processes and tools fully integrated and a new Organization (Org 2.0) have been developed.

› **OPERATIONAL**

IT INFRASTRUCTURE, DATA, DIGITAL AND CYBER SECURITY

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

Risks related to cyber-attacks (e.g. phishing, malware).

POTENTIAL IMPACT

- Failure of IT systems or cyber-attacks could lead to severe business disruptions which would negatively impact sales and financial results.
- It could also cause reputational damage.

MITIGATING ACTIONS

- Technical/software controls (e.g. firewalls, antivirus) are put in place.
- Moleskine security remediation plan has been launched: build a strong password policy, enhance internal infrastructure, introduce multi-factor authentication for Microsoft 365 suite, introduce a Security Incident Management procedure, design an ad-hoc MSK solution based on SANS Institute model, keep updated the IT Security register to track detection of data breach, risk assessment and remediation actions, created a dedicated email used for security warning and tips.

CLIMATE CHANGE

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

Risks related to environmental regulations.

Risks related to potential physical effects of climate change, such floods, forest-fires, or other climate-related natural disasters.

These risks are aligned with the TCFD-disclosure recommendations and represent risks coming from the transition to a lower-carbon economy (transition risk) and physical risk.

POTENTIAL IMPACT

- A breach of environmental laws could lead to fines and have negative reputational impact.
- Moleskine operations and supply chain could be disrupted by natural disasters.

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 2020, Moleskine completed the Lifecycle Assessment 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. Moleskine is working on its energy consumption by investing in renewable energy and by promoting sustainable mobility for its employees.
- Moleskine's diversification (geographies and distribution channels) provides a natural mitigation towards the physical risk.

› OPERATIONAL

GLOBAL HEALTH CRISIS

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

POTENTIAL IMPACT

The outbreak of a pandemic such as Covid-19 can seriously impact Moleskine's operations through regulatory bodies restrictions and customer behaviour (shop closures, increased e-commerce demand, reduced footfall, etc.). These could impact financial results.

MITIGATING ACTIONS

- In the event of a pandemic, Moleskine's priority is to ensure employees and customers safety and comply at any time with regulatory/(local) government recommendations.
- Use could be made of government support to mitigate the risk and a focus will be put on financial liquidity preservation.
- Moleskine formed a Covid Committee to keep control on the respect to global measures and local impacts and needs.

› FINANCIAL

FOREIGN EXCHANGE RATES

Risk related to fluctuation 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. Moleskine has adopted a system that makes it possible to monitor exposure to foreign exchange rate fluctuations, 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 INFORMATION AND CONTROLS

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 could have a negative impact on the decision-making process because of inadequate and/or delayed information and lead to reputational and confidence damages.

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.

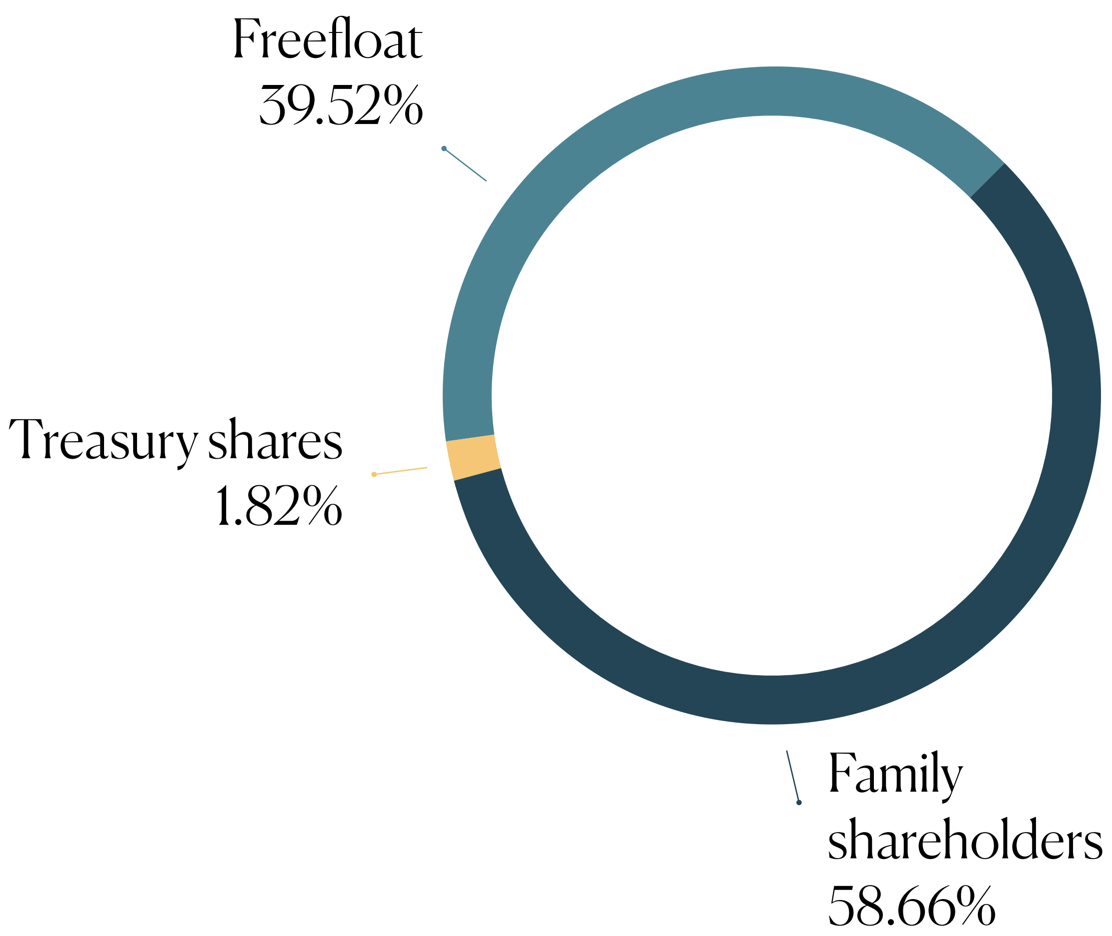
5. Capital information

5.1. DENOMINATOR

At 31 December 2020	Number	Related voting rights
Ordinary shares	54,367,928	54,367,928
Participating shares	5,000,000	5,000,000
TOTAL		**59,367,928**

5.2. SHAREHOLDER STRUCTURE

At 31 December 2020		In share capital	In voting rights
Family shareholders		**58.66%**	**62.15%**
	of which Nayarit Group	*32.54%*	*36.12%*
	of which SPDG Group	*26.12%*	*26.02%*
Treasury shares		**1.82%**	**1.66%**
Freefloat		**39.52%**	**36.19%**



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 Company's shareholding structure as at 31 December 2020, on the basis of notifications received by the Company, is presented in Note 21 of the financial statement (page 63).

(The Company is not aware of any subsequent notification modifying the information presented in Note 21.)

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 63), 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 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 28 May 2020 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 taking 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, and to carry out the share buyback programmes decided by the Board of directors.

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.