

# D'leteren Group

## Integrated Report 2020



# About the Integrated Report 2020

## Purpose

The purpose of this report is to provide the reader with a comprehensive overview of how D'leteren Group and its activities view the creation of human, societal and financial value. It outlines the principles that the Group intends to implement to promote responsible investment practices including active ownership.

## Evolution

This Integrated Report follows the same structure as last year but has been enhanced with new sections. In particular, an insight on stakeholder dialogue was added, introduced by a presentation of D'leteren Group's purpose and values which underpin its value creation. A new section also highlights how D'leteren Group manages its risks, seizes opportunities and builds resilience in its evolving environment. The Group has also progressed towards its goal of providing more non-financial metrics in this report. These efforts will be pursued as activities implement their new sustainability strategy.

As D'leteren Group is a family of businesses, it is important that each activity keeps its own 'window of expression'. Therefore, we have kept a dedicated chapter for each activity. Nevertheless, we have aligned the rationale towards value creation in each of our businesses with that of our group.

## Methodology

The methodology that inspired this report is based on the reference framework published by the International Integrated Reporting Council (IIRC). In accordance with these guidelines, this report aims to be as concise as possible and focus on the elements that underpin the strategy for creating financial and non-financial value for the Group and its activities. Detailed reporting for 2020 is included in the second section of the annual report, the Financial and Directors' Report. It should be noted that non-financial reporting is, for the second year in a row, aligned with the GRI (Global Reporting Initiative) reporting standard (core option), an index of which is to be found on p. 192 of the Financial and Directors' report.

## Organisation

The Integrated Report has been coordinated by D'leteren Group's Corporate Communication team and produced thanks to the involvement of their colleagues in the Investment Management, Legal, Consolidation and Investor Relations teams, as well as their counterparts in the various activities. The project was closely supervised by the members of the Group's Executive Committee.





# Key indicators

<b>Consolidated results (EUR million)</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016<sup>1</sup></b>	<b>2017</b>	<b>2018</b>	<b>2019<sup>12, 13</sup></b>	<b>2020<sup>12</sup></b>
Revenues (IFRS) <sup>3</sup>	5,977.3	5,514.5	5,470.5	5,453.1	6,035.4	6,471.7	3,455.1 <sup>2</sup>	3,578.1 <sup>2</sup>	3,798.8 <sup>2</sup>	3,318.0 <sup>2</sup>
Combined revenues <sup>3,5</sup>	5,977.3	5,514.5	5,470.5	5,453.1	6,035.4	6,471.7	6,941.3	7,417.8	8,026.9	7,216.8
Adjusted operating result <sup>4,5</sup>	377.2	252.6	220.2	198.6	248.5	281.1	300.9	357.9	539.1	661.5
Adjusted result, group's share:										
- before tax <sup>4,6</sup>	305.8	203.0	177.6	157.2	212.1	241.6	247.9	226.1	295.2	332.7
- after tax <sup>4</sup>	312.0	159.4	136.1	144.0	186.5	215.3	194.8	182.2	211.6	231.9
Group's share in the net result for the period <sup>7</sup>	312.6	190.1	114.0	-11.1	130.7	49.9	112.6	1,048.0	66.1	141.9
<b>Financial structure (EUR million)</b>										
Equity of which:	1,532.1	1,679.2	1,725.2	1,644.8	1,735.1	1,683.5	1,760.5	2,655.4	2,646.9	2,742.9
- Capital and reserves attributable to equity holders	1,530.5	1,677.4	1,723.6	1,644.2	1,733.3	1,683.0	1,764.3	2,655.1	2,646.3	2,739.4
- Minority interest	1.6	1.8	1.6	0.6	1.8	0.5	-3.8	0.3	0.6	3.5
Net debt group's share <sup>11</sup>	793.6	453.1	467.6	559.9	534.5	952.7	946.3	87.3	477.7	310.4
<b>Data per share<sup>8</sup> (EUR)</b>										
Group's share in the net adjusted result for the period <sup>4,7,9</sup>	5.65	2.89	2.47	2.29	3.32	3.92	3.55	3.32	3.88	4.28
Group's share in the net result for the period <sup>7,9</sup>	5.66	3.45	2.07	-0.20	2.38	0.91	2.05	19.12	1.21	2.62
Gross dividend per ordinary share	0.800	0.800	0.800	0.800	0.900	0.950	3.800 <sup>10</sup>	1.000	1.000	1.350
Capital and reserves attributable to equity holders	27.67	30.33	31.17	29.73	31.34	30.43	31.90	48.01	47.85	50.39
<b>Share Information<sup>8,9</sup> (EUR)</b>										
Highest share price	49.85	40.64	37.36	37.68	37.59	45.16	45.88	40.08	63.10	68.60
Lowest share price	32.73	28.95	29.21	27.66	27.36	26.08	35.84	32.36	32.46	36.10
Share price as at 31/12	34.07	30.44	36.20	29.30	34.42	42.00	37.54	32.92	62.60	67.80
Average share price	43.22	34.98	34.39	31.95	32.74	37.84	40.90	36.11	43.28	52.36
Average daily volume (in number of shares)	79,230	55,659	46,024	40,302	43,418	47,723	39,457	42,142	54,800	48,005
Market capitalisation as at 31/12 (EUR million)	1,884.2	1,683.4	2,002.0	1,620.1	1,903.2	2,322.7	2,035.4	1,782.2	3,461.9	3,686.1
Total number of shares issued	55,302,620	55,302,620	55,302,620	55,302,620	55,302,620	55,302,620	55,302,620	55,302,620	55,302,620	54,367,928
<b>Average workforce<sup>5</sup> (average full time equivalents)</b>										
	26,884	25,787	27,246	26,810	27,970	28,348	31,222	32,951	31,691	28,455
<b>CO<sub>2</sub> emissions scope 1 &amp; 2 (tCO<sub>2</sub>e)</b>										
									182,653	145,028

1. Includes Moleskine as from 1 October 2016.

2. Belron is classified under discontinued operations between 1 January 2017 and February 2018. Equity accounting from 7 February 2018 onwards.

3. Includes 100% of Avis Europe until 2010.

4. Excluding adjusting items.

5. Including Belron at 100%.

6. Following the creation of Volkswagen D'leteren Finance, whose results are accounted for using the equity method (and therefore excluded from revenue and from operating result), and in order to reflect all the group's activities, the adjusted result before tax, group's share, includes from 2012 onwards the group's share in the adjusted result before tax of the entities accounted for using the equity method.

7. Result attributable to equity holders of D'leteren Group, as defined by IAS 1.

8. Restated following the 10-to-1 share split in 2010.

9. Calculated in accordance with IAS 33.

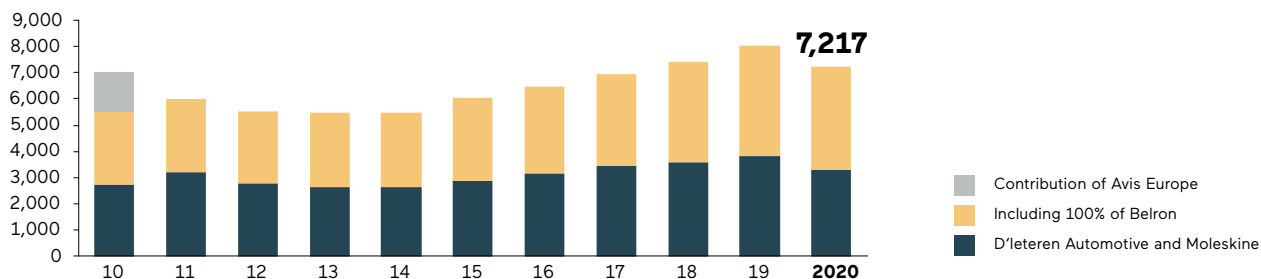
10. Includes an extraordinary dividend of EUR 2.85.

11. APM - see glossary page 84.

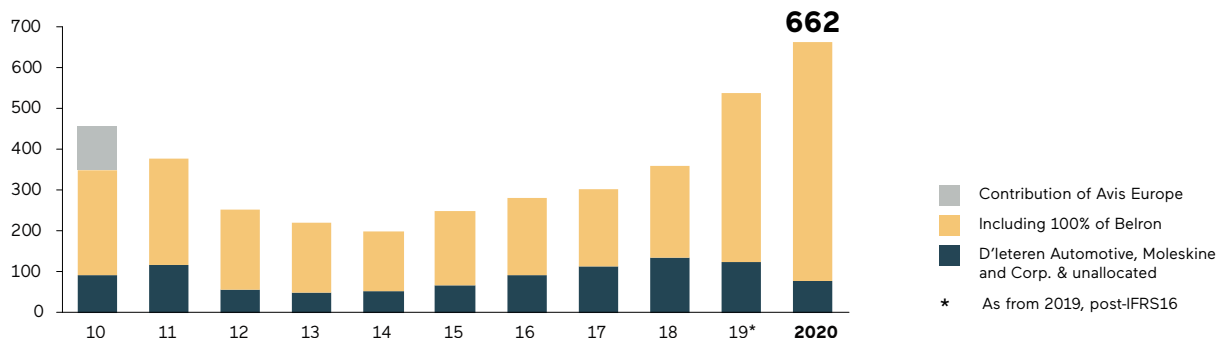
12. Post - IFRS 16.

13. As restated to reflect the fair value adjustment of the contingent liability relating to the disposal in 2018 of the 40% stake of Belron to CD&R.

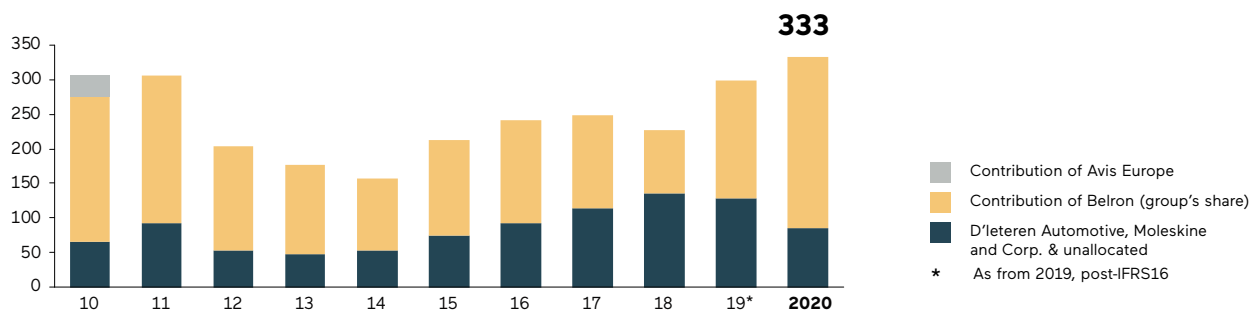
## COMBINED REVENUES (EUR million)



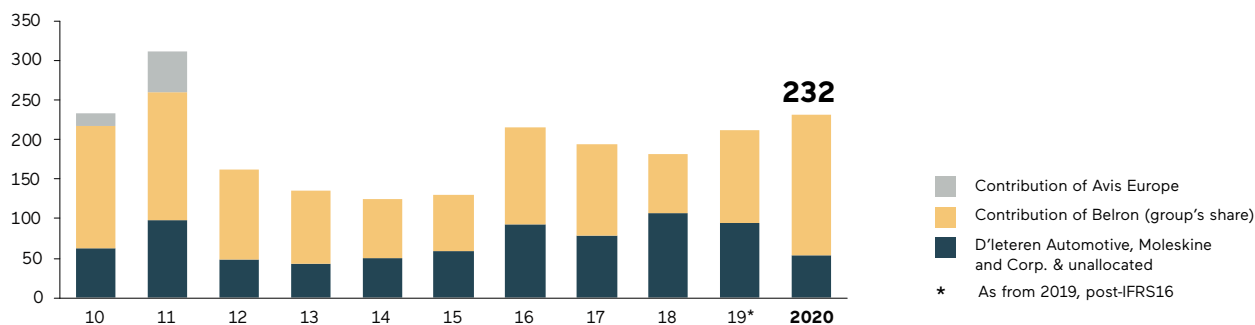
## COMBINED ADJUSTED OPERATING RESULT (EUR million)



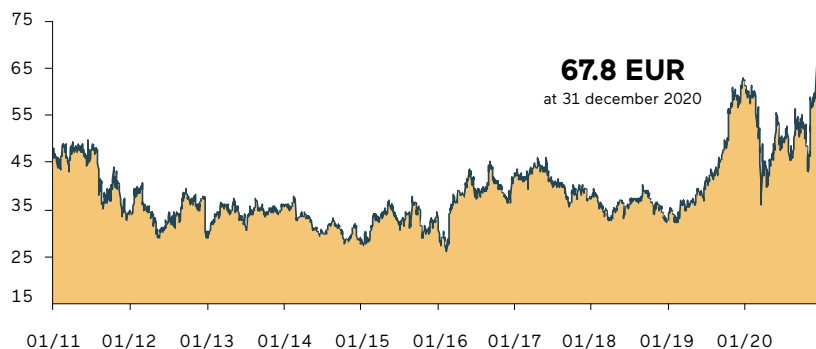
## ADJUSTED RESULT BEFORE TAX, GROUP'S SHARE, (EUR million)



## GROUP'S SHARE IN THE ADJUSTED NET RESULT FOR THE PERIOD (EUR million)



## D'IETEREN'S SHARE PRICE SINCE 2011 (EUR)



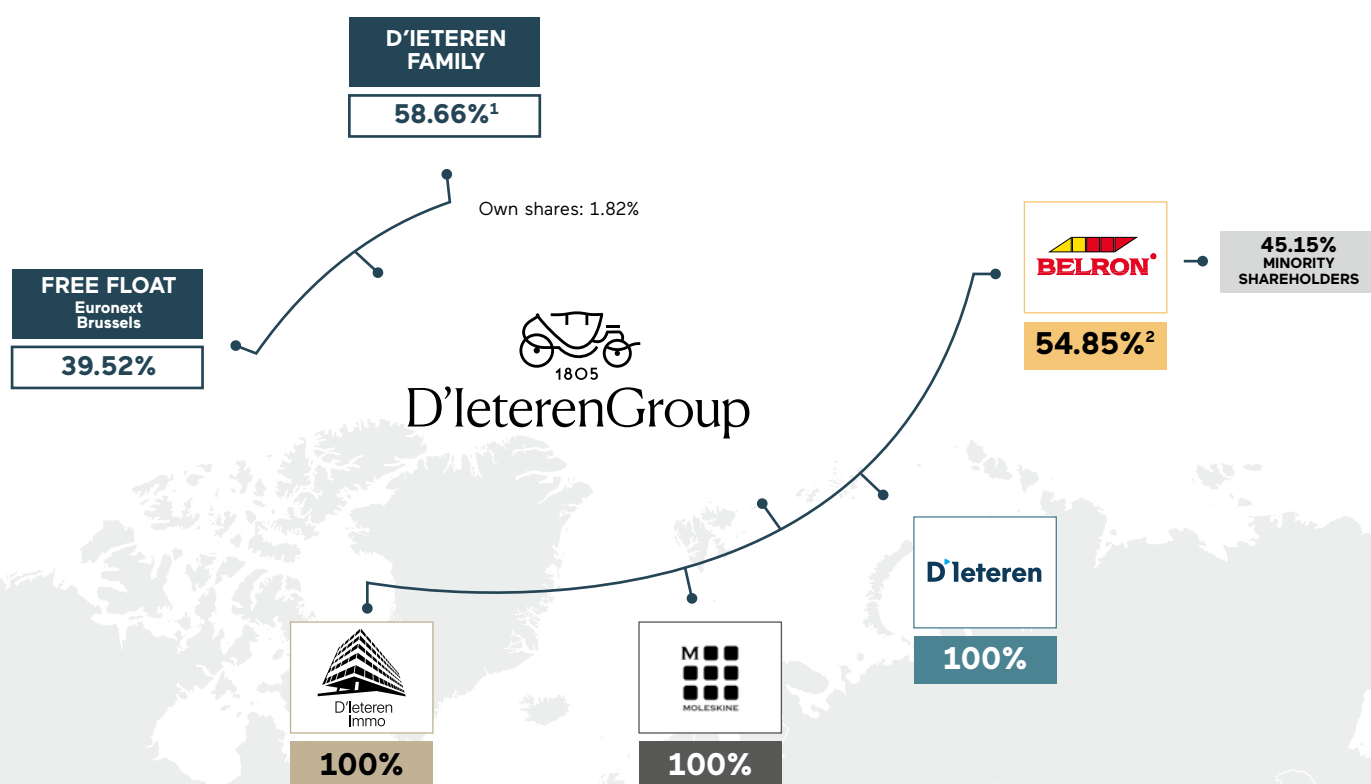


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# D'Ieteren Group at a glance

A family-controlled, listed investment company



1 Economic rights as at 31st December 2020

2 In voting rights

with an international portfolio



Since its foundation in 1805 in Brussels, D'leteren has been the name of a family of entrepreneurs, that has grown into what is today called D'leteren Group. It is the mission of our Group to build a family of businesses that reinvent industries in search of excellence and meaningful impact.

## The Group currently owns four activities articulated around strong brands.

### Belron

Belron is the worldwide leader in Vehicle Glass Repair, Replacement and Recalibration. In 2020 Belron served 14.9 million consumers in 40 countries with a focus on service quality generating the highest level of customer satisfaction. Belron is trading under more than ten major brands including Carglass®, Safelite® and Autoglass®. In addition, it manages vehicle glass and other insurance claims on behalf of insurance customers. Belron's purpose is to make a difference by solving people's problems with real care.

#### Financials

2020 sales: EUR 3.9 billion

2020 *adjusted* operating result: EUR 583 million

#### Workforce (average FTEs)

25,784

### Moleskine

Moleskine is an iconic, inspirational brand born from the heritage of a legendary notebook. Its purpose is to unleash the human genius through hands on paper to empower creativity and knowledge in each individual and the entire world. Moleskine is based in Italy, Milano, and has offices in Köln, New York, Hong Kong, Shanghai and Tokyo. The company sells its products globally through a multichannel strategy (Wholesale, Retail, E-commerce and Strategic Partnership – former B2B). The product portfolio goes beyond the original notebooks to encompass planners, writing instruments, bags, reading accessories as well as a Smart Writing System and mobile apps.

#### Financials

2020 sales: EUR 102 million

2020 *adjusted* operating result: EUR -1.5 million

#### Workforce (average FTEs)

402.4

### D'leteren Automotive

D'leteren Automotive is the exclusive distributor of Volkswagen brands in Belgium. The company distributes Volkswagen, Audi, SEAT, ŠKODA, Cupra, Bentley, Lamborghini, Bugatti and Porsche alongside spare parts and accessories. There are around 1.2 million VW-branded vehicles on the road in Belgium, and D'leteren Automotive enjoys a leading market share of more than 23%. D'leteren Automotive manages a strong network of independent dealers across the country and operates dealerships on the Brussels-Mechelen-Antwerp axis. To complete its offering, the company sells used vehicles (My Way and Audi Approved+) and provides maintenance, financing and leasing services through VDFin, a joint venture with Volkswagen Financial Services. The company's purpose is to build seamless and sustainable mobility for everyone.

#### Financials

2020 sales: EUR 3.2 billion

2020 *adjusted* operating result: EUR 99 million

#### Workforce (average FTEs)

2,187

### D'leteren Immo

D'leteren Immo is responsible for the management of the real estate assets that are owned by the D'leteren Group in Belgium, most of which are rented by D'leteren Automotive. The assets include offices, workshops, concessions, logistics centres, residential units, parking lots and landbanks. Part of the activities includes the reconversion and redevelopment of sites that are no longer used by D'leteren Automotive. In addition to managing its own property assets, the company offers real estate advice and a range of services to the tenants of the properties in the portfolio.

#### Financials

2020 Net Rental Income: EUR 20 million

2020 Portfolio Book Value: EUR 195 million

#### Workforce (average FTEs)

41.5

## In Memoriam



# Message from the Chairman

Ladies and gentlemen,  
Dear shareholders,

In many respects, 2020 was a year of upheaval.

And so it was too for the D'Ieteren Group which, with great sadness, suffered the loss of its leading figure of the past 50 years. I am speaking about my father, Roland D'Ieteren. I would like to pay a heartfelt tribute to a man who, for so many years, personified the culture and values of our group. Right up until his last breath, he devoted his life to the development of D'Ieteren S.A.

For more than two centuries, the transference of knowledge and values has been fundamental to our group's longevity. My father embodied — and passed on to the generations that followed him — many inspiring personality traits: a passion for a job well done, the entrepreneurial audacity to leave the well-trodden path, but also to remain attentive to others in a spirit of trust, support and respect. Today, it is with the same ardour that we will carry on his work, always bearing in mind this precious heritage that will continue to define us every day.

*On behalf of all of us, in this beautiful Maison that was your whole life, and from the bottom of our hearts, we simply want to say thank you.*

As I look back on this exceptional year, I would like to pay tribute to the courage and determination shown by each and every one of our employees in our activities, in an environment of unprecedented complexity. Faced with the announcement of the first containment measures, our teams responded boldly and creatively mobilised their resources to protect the health of our employees and customers.

Through agility and resilience, our teams were also able to accelerate their transformation strategy in a context that was not conducive to fundamental change. Belron has taken advantage of the opportunities in the growing market for recalibration of driver assistance systems to become the world leader, and this in both customer service and technician training. D'Ieteren Automotive continued to evolve and was able to respond to the needs of its customers in a market shaken by a slowdown in mobility needs, as

a result of the confinement measures. Moleskine took advantage of the crisis to launch an ambitious reorganisation programme, benefiting from the experience of its new CEO, who joined us in April 2020.

The results for 2020 are today a reflection of the energy deployed by our teams. On behalf of the Board of Directors, I would like to warmly congratulate them.

The year 2021 will remain an important moment in the history of D'Ieteren S.A., that of the carve-out of our automotive activity. The group and its historical activity, formerly united within a single legal entity, will now be two separate companies. This important change will allow both entities to focus their energy in a more targeted manner and thus achieve their respective objectives more efficiently. D'Ieteren S.A. will henceforth be known as D'Ieteren Group. And its automotive branch, D'Ieteren Automotive. To mark the occasion, each has been given a new visual identity.

Besides monitoring our existing activities, we continue to explore opportunities in established companies and remain open to promising projects from those with strong growth potential. Our research efforts remain focused on sectors where we believe we can add value. We remain flexible, however, as it is above all innovative ideas and entrepreneurial energy that appeal to us.

2021 is now well underway and there are encouraging signs of economic recovery. However, the operational, commercial and societal environments in which our activities operate have changed significantly. Conscious of this new set of circumstances, our teams are more than ever attentive to the evolution of new sectorial trends and to the exciting opportunities they offer, both from the point of view of our customers and our suppliers.

Ladies and gentlemen, shareholders, I hope that the forthcoming recovery brings us all many favourable opportunities and I thank you for your confidence.

Nicolas D'Ieteren  
Chairman of the Board



# Message from the CEO

2020 has been a very unusual year, not only for society at large, but also for us at D'Ieteren Group. When reflecting upon it now, I am convinced that we are coming out of this challenging period stronger, and more focused and determined than ever. And this thanks to the unwavering support and commitment of all our stakeholders, in particular our personnel, our leaders and their families, our customers and suppliers, and our shareholders. A big and warm-hearted "Thank you!"

## An unusual year in many respects

First and foremost, and truly unexpectedly, on December 10, 2020, we lost our Honorary President, Roland D'Ieteren. He had been active in the company since his early years, and as CEO from 1975 to 2005 and Chairman until June 2017. He dedicated his entire life to the family business that carries his name and of which he was the sixth generation. Most notably he transformed D'Ieteren into a thriving international group with deeply entrenched humanity and strong values. He continues to be a source of inspiration to all of us, and will always be.

Throughout 2020, just like everyone else around the world, we have learned to live with the Covid-19 pandemic and its many implications. At D'Ieteren Group, D'Ieteren Automotive, Belron, Moleskine and D'Ieteren Immo, we have used a set of principles to deal with the crisis as it unfolded:

- Led by our values, we prioritised the safety and well-being of our people and customers above all, following governments' guidelines and rules in the respective geographies where the Group is active. In the case of car sales and after-sales activities in Belgium, we even designed and piloted Covid-safe operations that became the standard in the country after the first lockdown.
- The respective management teams stepped up in communication and leadership, instilling confidence and clarity towards the different organisations, both internationally and locally, and leveraging the technologies at their disposal, setting up daily video calls, weekly webinars, virtual town hall meetings, and extraordinary Board updates.
- We acted quickly and decisively in each of our businesses, to maintain our financial strength, and in reaching out proactively to all major customers and suppliers, with a strong focus on cash management. Also, a truly remarkable agility and flexibility has been demonstrated by our management teams and our people as the different phases of the pandemic unfolded, from lockdown to ramp up, from first to second waves, and this with uncertain timing and changing intensity in the different geographies throughout the year.
- Each of our activities also looked at concrete ways in which they could contribute to the vulnerable in the communities around them. Many volunteers came forward, and contributed both financially and with their energy and time.  
As D'Ieteren Group, we redirected our initially planned dividend increase to a Solidarity Fund for our personnel and their families.

Lastly, at the end of the year 2020, we have also formally become D'Ieteren Group. The Belgian car distribution arm and all related activities, that had been part of the D'Ieteren s.a. legal entity structure so far, have been carved out into a separate subsidiary under the name D'Ieteren Automotive s.a. The management team that was already in place under the leadership of Denis Gorteman continues to be in charge of this important activity. A separate Board of Directors has also been appointed to oversee D'Ieteren Automotive. The new setup ensures a more dedicated structure, including appropriate financing, and gives more strategic flexibility going forward, in order to optimally anticipate future trends in the industry, and continue to be the natural choice for mobility in Belgium by building seamless and sustainable mobility for all.

# Stronger, both in performance and resilience

We have delivered more than solid results in 2020, and the momentum at the end of the year is very promising for the future:

- Not surprisingly our top line remained below the record levels of 2019. Volumes were clearly affected by the different forms of lockdowns in both the spring and in autumn. At Belron, volumes decreased by 13% and we were able to limit sales decline to 7.8%. At D'leteren Automotive, the overall market was 22% down in number of new vehicles sold. We did manage to increase our market share, and completed the year with overall sales level that were 11.5% below 2019. At Moleskine, where many of the book retail chains and others were closed, activity was down, resulting in 38% less revenues.
- Our bottom line however surpassed the level of 2019 with 11.2% in our core "*Adjusted Profit Before Tax group share*" KPI, which is really a strong performance given the circumstances. It proves that cost containment has been central to our efforts this past year. Even when excluding the different government support schemes that existed in several countries, our absolute profit was up. It proves that the work we embarked on several years ago on continuous improvement is really working. In 2020 this was in particular driven by Belron, where operating margins increased by an impressive 511bps in one year.
- Even more spectacular has been the free cash flow generation over the year. The *adjusted* free cash-flow, is up € 335 million, or 599% versus 2019. It is a reflection of the cash preservation measures all teams around the world have been focusing on.

We have continued and even accelerated our investments in the *longer term resilience* of our activities, leveraging and confirming our multi-dimensional active investment model. Particular areas of focus during 2020 have included:

- At Belron, we have welcomed a new CFO on board, and the IT leadership team has been strengthened. From the summer onwards, we brought the "Fit For Growth" transformation program to a global level, in order to align and finalise the design of the future operating model of Belron in several key functional areas, like Customer Experience, Supply Chain, Finance, and Human Resources. This will allow us in 2021 and beyond to implement several important digitalisation programmes to the benefit of our customers and our personnel.
- At D'leteren Automotive, the leadership team was also strengthened with the arrival of a new CFO, and extended to include the Strategy & Transformation as well as Innovation functions. The Covid-19 crisis has triggered an acceleration of the transformation in light of a new Belgian automotive market reality. As a result of this, by the end of December 2020, a reorganisation involving 185 positions has been negotiated with our social partners, and was implemented.
- At Moleskine, upon the arrival of the new CEO in April 2020, the team has been reorganised, and a 'fewer, better, bigger' strategy has been defined. 2020 has clearly still been a transition year for the company. We are confident that the renewed focus will help Moleskine reconnect with its profitable growth strategy, once the pandemic is over.





These are just a number of examples of the topics we worked on together with the management teams of our activities. For about two years, we have structured our continuous dialogue with them around purpose and ambition, aligning ourselves on strategy, innovation and execution, as well as on the most appropriate organisational model and key people at the top. Not surprisingly, 2020 has been particularly focused on accelerating transformation.

Finally, we have pursued the implementation of our sustainability roadmap launched in 2019, focusing both on further deepening our responsible investment approach and on supporting our activities in implementing their own sustainability strategy. In terms of Responsible Investment, a highlight was the signing of the United Nations Principles for Responsible Investment (UN PRI) in October 2020. This commitment not only formalises our commitment towards contributing to a more sustainable future, but it will also ensure that our ESG approach, policies and reporting continue evolving in line with our stakeholders' expectations, leaving no best practice behind. As for our activities' own roadmaps, I'm particularly proud that all our activities managed to complete, and to start implementing their new sustainability strategy as part of their transformation journey. In doing so, they all address the non-financial aspects that are key for the Group – namely customer experience, people engagement and CO<sub>2</sub> emissions - in addition to tackling their own priority areas with new ambitions and action plans.

## Pursuing our focused investment approach

We are particularly happy to have kept a strong cash position during 2020. In times like these we see it as a strength, one which gives us a solid base during prolonged periods of uncertainty. At the same time, it allows us the flexibility to act rapidly when opportunities arise.

With a systematic approach and with discipline, we have continued our investment strategy during 2020, in search of a limited number of additional growth platforms. Our focus areas consistently remain centred on Business Services, Mobility Solutions, Industry & Industrial enablers, and Lifestyle goods & services. Our investment criteria, which you will find listed in this report, remain constant as well.

\* \* \*

It is with feelings of extreme gratitude that I conclude this letter. 2020 has been a year full of unforeseen events and deep emotions. Nevertheless it has been a successful and meaningful year for D'Ieteren Group. We could not have done it without our people, at Belron, D'Ieteren Automotive, D'Ieteren Immo, Moleskine and at the Group level.

Francis Deprez  
CEO D'Ieteren Group

# History

1929

D'leteren IPO

1805

Coachbuilding and wheelwrighting

Jean-Joseph D'leteren begins working as a coachbuilder.

1897

Vehicle bodywork

The D'leterens are among the first to produce bodywork for motorised vehicles in their new workshop.

1931

Automobile distribution

D'leteren becomes the distributor for US brands Studebaker, Pierce-Arrow, and Auburn.

1857

Horsecar bodywork

Alexandre D'leteren adds vehicle painting and garniture to his trade of coachbuilding and wheelwrighting.

1948

Volkswagen contract

Pierre D'leteren signs a contract to import vehicles manufactured by the Volkswagen group.



## D'leteren Automotive carve-out

D'leteren carves out its vehicle distribution and retail business into a new fully-owned subsidiary. The two businesses, until then part of D'leteren SA/NV, become two separate entities: D'leteren Group and D'leteren Automotive, each of them receiving a new graphic identity and logo.



2016

Diversification with the acquisition of Moleskine

2021

1989

2011

**AVIS**

## Acquisition of Avis Europe

D'leteren enlarges its global footprint by acquiring Avis Europe, a leader in short-term vehicle rental. D'leteren remains shareholder of the company for 22 years and withdraws from short-term vehicle rental by selling its 59.6% stake to Avis Budget Group in 2011.



D'leterenGroup

1999

## Takeover of Belron

D'leteren takes over Belron, the world leader in vehicle glass repair and replacement.

2018

## Sale of a minority stake of Belron

D'leteren strengthens its investment capacity by selling a minority 40% stake in Belron to CD&R, an international investment company.

**BELRON**

## Acquisition of Moleskine

D'leteren acquires Moleskine, the world-renowned aspirational lifestyle brand.

**MOLESKINE**

## Creation of D'leteren Immo

The real-estate assets of D'leteren are grouped into a new entity, D'leteren Immo.

**D'leteren Immo**

Our purpose is to build a family of businesses that reinvent industries in search of excellence and meaningful impact.

## Our values

As a Group, we aspire to uphold 5 key values that are the essence of our businesses. We live by these values and embrace them in everything we do.

### Entrepreneurship

As a family business and a family of businesses, an entrepreneurial mindset is integral to our DNA. This innovative spirit is carried through all our activities, as we look for new opportunities and strive towards achieving excellence. We create value for our businesses by challenging and helping them strengthen and develop. We aim to drive change, progress and sustainable development into our businesses. For this reason, we welcome people who are driven by challenges, and we support them in developing the skills they need to thrive and sustain our businesses' market leadership positions.

### Curiosity

A strong desire to learn is embedded in our history and it inspires our continued exploration of customers' needs and emerging sectors. This spirit of inquiry keeps us constantly alert to investment opportunities in meaningful businesses and to ways in which we can support their long-term value creation. This is why we encourage and foster our people's curiosity. Not only does it enrich their personal development, but also allows them to achieve their full potential.

### Courage

Our long history has taught us that real transformation and growth usually require time and effort. To us, courage is about always doing our best, about persevering and about taking risks without the guarantee of success. In our journey to achieve excellence and meaningful impact, we do not fear stretching the boundaries or challenging ideas, but stand alongside our management teams when they act with reasoned boldness.

### Care

As a family of businesses, we look after each other, support and enrich each other. We care about our people by ensuring their work environment is safe and career paths contribute to their well-being. We are also mindful that the welfare of our clients is both core to, and the ultimate goal of, our activities. Since we are aware of our responsibilities towards future generation, we are taking actions to reduce our environmental footprint and seek to create positive societal impact. This caring approach runs through our investment process which considers the impact of our activities on all our stakeholders.

### Respect

Our investment philosophy is based on respect and integrity. The continuous and open dialogue that we have with our external and internal stakeholders is held in a respectful and open-minded way. And the close and long-term relationship with our management teams, that characterizes our shareholdership approach, is based on a permanent, open and respectful dialogue.

# Our value creation

Investing in purposeful businesses and supporting them in creating value is at the core of what we do. At D'leteren Group, we are passionate about our businesses and together we embark on a journey towards long-term value creation for all our stakeholders.

In particular, we measure the value we create for our shareholders, people, customers and society as a whole.

## For our shareholders

As a listed investment company, our core activity is to support our businesses to create long-term value and ultimately future financial returns for shareholders. We ensure a regular, open and honest dialogue with investors and take their long-term expectations into consideration. This dialogue creates mutual trust and contributes to a solid relationship.

## For our customers

Our ultimate goal is to have a significant and positive impact on the lives of those who purchase our businesses' products and services. We aim to improve their quality of life through problem-solving and offering them services and products that will both support them and anticipate their future needs.

## For our employees

We offer a safe and fulfilling environment for all our employees, conscious that they are core to our businesses' success. We realise that our employees are driven by meaningful and purposeful work where they feel appreciated and valued. Therefore, we are committed to offering opportunities for development and a good work-life balance that will contribute to a successful private and professional life.

## For society

As a long-term investor, we contribute to a sustainable future by monitoring our environmental and societal impact. Our journey towards reducing our environmental impact contributes to the global effort to combat climate change and to offer the best quality of life possible for the next generations. Conscious of our wider environment, we also reach out to the communities in which our businesses operate with a view to improving their quality of life.

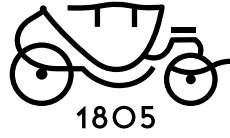
# A constant dialogue held with our stakeholders

As we aim to create value for all our stakeholders, we make sure to hold an honest and open dialogue with them so as to learn about, and remain conscious of, their evolving expectations and needs.

First of all, as a majority shareholder of large companies, we make sure that our activities hold a dialogue with their main stakeholders, and we are ready to support formal processes in this respect (materiality assessments, employee surveys, customer surveys, etc.)

Second, as a family-controlled listed company, in addition to engaging with our employees, our shareholders and investors and liaising with our businesses, which are part of our day-to-day business, we hold a regular dialogue with representatives of authorities and civil society. This comprehensive dialogue approach, which includes interviews' preparation and analysis, is aimed at ensuring that the expectations of our stakeholders is not taken for granted, and that any new or emerging concerns are escalated to the executive team.

The 2020 stakeholder dialogue approach enabled both the group and its activities to highlight the UN Sustainable Development Goals to which they can bring a significant contribution. Further details are provided in the Non-Financial Disclosure of the Financial and Directors' Report.



# D'leterenGroup

## Our resources

### FINANCIAL CAPITAL

Shareholding structure  
- D'leteren Family 58.66%  
- Free Float 39.52%  
- Own shares 1.82%  
Net cash position € 1.5 bn

### HUMAN & INTELLECTUAL CAPITAL

A team of 18 people with diverse expertise: Investment, Governance, Legal, Strategy, Finance, Audit, Sustainability, Tax, Digital.

### SOCIAL & RELATIONSHIP CAPITAL

- An international investment network (incl. investors, advisors and partners).
- A dialogue with authorities, civil society and communities founded on a strong anchor in Belgium.

## Our operating model

› Driving the long-term performance of our businesses by supporting managers with patient capital, strategic insight and an operational sounding board. (p. 26)



› Extending towards a handful of businesses by investing in a selected number of platforms which are leaders in their markets and benefit from concrete opportunities to generate value over long periods of time. (p.31)

## Our ecosystem

- 2020 economic and financial environment (p. 22)
- Dialogue with our stakeholders (p. 13)

# Our value creation

## › Through our activities

### FOR OUR PEOPLE

Engagement, motivation and well-being of our people is key and we strive to create meaningful and purposeful environments in which they can operate

#### Employee satisfaction

- Belron: 86.0%
- D'Ieteren Automotive: 63.3%
- D'Ieteren Immo: 73.8%
- Moleskine: 67.4%



€ 1,615m  
Employee Benefits<sup>1</sup>



€ 8.5m  
Allocated to the Covid-19  
Solidarity Fund<sup>2</sup>

### FOR OUR CUSTOMERS

Customer satisfaction is the core objective of our businesses.

#### Customer satisfaction

- Belron NPS: 84.9%

All the other activities launched a new customer satisfaction survey in 2021.



€ 15.8m  
Research and Development

### FOR OUR SHAREHOLDERS

Satisfied customers and engaged people create superior value, including superior financial returns for shareholders.

#### Adjusted Free cash-flow

- Belron: € 429m
- D'Ieteren Automotive: € 172m
- Moleskine: € 1m
- D'Ieteren Immo: € 2m



€ 53.9m  
Shareholder Dividend<sup>3</sup>



€ 268.4m  
Total Investments

### FOR SOCIETY

We are conscious of our impact and we take care of our environment.

#### 2020 carbon footprint (Scope 1 & 2 emissions)

- Belron: 136,480 tCO<sub>2</sub>
- D'Ieteren Automotive: 7,764 tCO<sub>2</sub>
- Moleskine: 474 tCO<sub>2</sub>
- D'Ieteren Immo: 160 tCO<sub>2</sub>

All activities launched their new sustainability strategy in which they committed to have an emissions reduction plan in line with SBTs by 2022.



€ 29.9m  
Corporate Income tax<sup>4</sup>

€ 605.8m  
Total VAT<sup>4</sup>

#### Community engagement

All activities have their own philanthropic initiative

- Belron: Afrika Tikkun + local donations
- D'Ieteren Automotive: Give & Gain
- Moleskine: Moleskine Foundation



€ 150,000  
D'Ieteren Group's Donations

<sup>1</sup> Including social contribution, post-employment benefits, and other advantages.

<sup>2</sup> This programme is aimed to help employees of D'Ieteren Group suffering hardship as a consequence of the Covid-19 crisis.

<sup>3</sup> Paid in 2020.

<sup>4</sup> Paid in Belgium.

# Overview of 2020





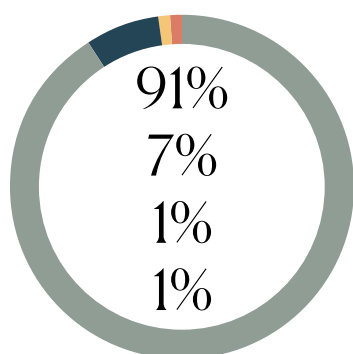


# Key figures per activity

## Average Workforce

28,445

average full time equivalents in 2020

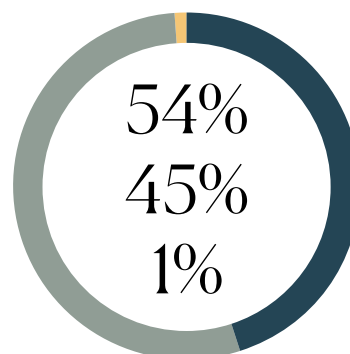


- 91% - Belron
- 7% - D'leteren Automotive
- 1% - Moleskine
- 1% - Other

## Combined Revenues<sup>3</sup>

7,216.8

EUR million in 2020



- 54% - Belron
- 45% - D'leteren Automotive
- 1% - Moleskine

(average full time equivalents)	2019	2020	Change
D'leteren Automotive	2,011	<b>2,187</b>	+8.8%
Belron	29,121	<b>25,784</b>	-11.5%
Moleskine	559	<b>402</b>	-28.0%
Other	59	<b>71</b>	+20.8%
Total	31,750	<b>28,445</b>	<b>-10.4%</b>

(EUR million)	2019	2020	Change
D'leteren Automotive	3,634.9	<b>3,215.7</b>	-11.5%
Belron	4,228.1	<b>3,898.8</b>	-7.8%
Moleskine	163.9	<b>102.3</b>	-37.6%
Total	8,026.9	<b>7,216.8</b>	-10.1%



## Combined *Adjusted* Operating Result<sup>1,3</sup>

# 661.5

EUR million in 2020

## *Adjusted* Result before tax<sup>1,2</sup>, Group's share (Group KPI)

# 332.7

EUR million in 2020

(EUR million)	2019	2020	Change
D'leteren Automotive	119.1	<b>98.9</b>	-17.0%
Belron	416.4	<b>583.1</b>	+40.0%
Moleskine	18.9	<b>-1.5</b>	N/A
Other	-15.3	<b>-19.0</b>	N/A
Total	539.1	<b>661.5</b>	<b>+22.7%</b>

(EUR million)	2019	2019	Change
D'leteren Automotive	128.4	<b>102.8</b>	-19.9%
Belron	171.7	<b>248.2</b>	+44.6%
Moleskine	9.5	<b>-13.5</b>	N/A
Other	-10.3	<b>-4.8</b>	N/A
Total	299.3	<b>332.7</b>	<b>+11.2%</b>

1 Excluding adjusting items (APMs - see glossary on page 84).

2 53.75% stake in Belron in 2020 and 2019 (restated).

3 Including 100% of Belron.

## Direct CO<sub>2</sub> emissions (tons)

	2019	2020
<b>MOLESKINE</b>		
Scope 1	184	73
Scope 2 (market-based)	394	415
	<b>578</b>	<b>488</b>
<b>BELRON</b>		
Scope 1	149,000	117,001
Scope 2 (market-based)	23,000	19,479
	<b>172,000</b>	<b>136,480</b>
<b>D'IETEREN AUTOMOTIVE</b>		
Scope 1	8,578	6,760
Scope 2 (market-based)	1,1003	1,004
	<b>9,681</b>	<b>7,764</b>
<b>D'IETEREN IMMO</b>		
Scope 1	148	143
Scope 2 (market-based)	16	17
	<b>164</b>	<b>160</b>

# Key events

## MARCH

### **Appointment of Humphrey Singer as CFO of Belron**

Belron welcomed Humphrey Singer, its new Chief Financial Officer. Humphrey brings a wealth of financial experience, most recently at Marks and Spencer Group plc, where he was Chief Financial Officer. Prior to this, he held the role of Group Finance Director at Dixons Carphone plc, having spent over ten years in various global roles at the business.



## APRIL

### **Introduction of the D'leteren Group Solidarity Programme**

D'leteren SA launched a solidarity programme to help employees of D'leteren Group suffering hardship as a consequence of the Covid-19 crisis. To that effect, the Board of Directors proposed to the General Meeting a stable gross dividend per share compared to the previous year in order to allocate the initially planned dividend increase to the programme. The latter was also open to personal contributions from Board members, managers and employees of the Group, which brought the total amount to approximately € 8.8m



### **Appointment of Daniela Riccardi as CEO of Moleskine**

Daniela Riccardi joined Moleskine as new Chief Executive Officer. Prior to this, she was the CEO of Baccarat for seven years. The arrival of Daniela Riccardi brought with it a rediscovery of the brand's origins, which has inspired the new mission and roadmap of Moleskine.

## JULY

### **Appointment of Réginald Gillet as CFO of D'leteren Automotive**

Réginald Gillet was appointed as the new Chief Financial Officer of D'leteren Automotive. Réginald brings years of finance experience thanks to a diversity of leading roles, notably within Carrefour (one of the largest food retailers in the world.)



## SEPTEMBER

### **'Spirit of Belron' Challenge around the world**

The 2020 'Spirit of Belron' challenge was transformed into a global virtual event with the aim to raise money for Afrika Tikkun, the charity supported globally by Belron. This virtual version raised a total of €1.7m thanks to the participation of 7,300 people who ran and swam 166,729km. The funds raised have been used to provide food and to meet the basic needs of 20,000 young people in South Africa.



### **H2O project on the Erps-Kwerps site in Kortenberg**

D'leteren Immo launched the H2O project to make a better use of the green energy produced thanks to the photovoltaic panels on the Erps-Kwerps site. H2O is the implementation of an intelligent system for storing the surplus self-generated energy in a highly secure battery container, what allows a better use of this electricity, according to the site's needs.



## OCTOBER

**D'leteren Group signs the UN Principles for Responsible Investment**

In October 2020, D'leteren Group became a signatory of the United Nations-supported Principles for Responsible Investment (PRI), reflecting its commitment to including environmental, social and governance (ESG) factors in its investment decision-making and active ownership policies. The UN PRI is the world-leading network of investors working together to put principles of responsible investing into practice. The Group will perform its first reporting on a voluntary basis in 2021.

*Signatory of:*

**Reinvention of a site of D'leteren Immo via the project Circularium**

D'leteren Immo innovated with the project Circularium in Anderlecht, Brussels. The project consists of the transformation of a 20,000m<sup>2</sup> industrial area previously used as a car showroom into a centre dedicated to circularity and cultural life. It creates a vibrant neighbourhood that is a place to work, live and meet for more than 20 tenants, all of whom are entrepreneurs active in the Circular Economy.



## NOVEMBER

**One-millionth recalibration at Belron**

During the month of November, Belron completed its one-millionth recalibration, reaching a record number of 1.1 million recalibrations in 2020.



## DECEMBER

**Increase in Moleskine's online sales**

Online sales reached one third of total sales, showing an increase in online sales volume compared to 2019. The two most important platforms were Amazon and Moleskine's own website. An important digital transformation plan was launched, including amongst others a state of the art CRM, e-commerce and digital media platforms.

**D'leteren Automotive – Launch of the ID3, the first fully electric vehicle on the new VW platform**

The launch of the new ID3 marked the beginning of a new era in mobility at Volkswagen. The various electric vehicle models of the VW Group (including the Audi e-tron, Porsche Taycan, e-Golf, e-up, ŠKODA Citigo and SEAT Mii), enabled D'leteren Automotive to lead sales of electric models in Belgium with a market share of 24.4% in 2020.







# Business environment

Global recession induced by the Covid-19 pandemic; timing of the complete recovery still uncertain

With the global economy estimated to have contracted by 4.3%, 2020 was undoubtedly a year of economic hardship. This was underpinned by unprecedented social distancing and lockdown measures, which caused a sudden shock in both demand and supply during the first half of the year, before global output picked up in the third quarter as containment measures were eased, businesses restarted and spending resumed. Economic activity was hit most severely in Europe (real GDP contraction of 7.4%) where a resurgence of Covid-19 infections in the fourth quarter is delaying an already fragile recovery.

The Covid-19 pandemic and related economic policy response have triggered a surge in global debt levels to historic highs and further exacerbated existing debt-related risks. Unprecedented widespread monetary and fiscal policy accommodation have fuelled financial markets, lowered borrowing costs and supported credit extension. Policy makers now face considerable challenges to nurture the

still fragile economic recovery and lay the foundations for longer-term sustainable growth.

While 2020 did shed more light on some international trade and geopolitical issues (e.g. Brexit deal, US presidential elections and easing US-China trade tensions), the economic outlook remains uncertain and will depend on various factors such as the duration and magnitude of new Covid-19 outbreaks, the degree to which these can be contained, the time it takes for widespread effective vaccination and the extent to which fiscal and monetary measures will continue to support demand.

## V-Shaped recovery in the Mergers & Acquisitions (M&A) market

Global M&A activity was robust in 2020 with the total value of deals reaching \$3.6 trillion, down only c.6% from 2019 and still slightly above the 10-year average of \$3.5 trillion. Notably, a significant increase in deal value and number of megadeals helped offset the decline in deal volume, especially in Europe where the M&A market value was almost steady compared to 2019. The year was very much a tale





of two halves, with a strong bounce in takeover activity occurring from July. This marked a dramatic recovery from the first semester when the outbreak of the Covid-19 crisis brought dealmaking to a standstill. Debt and Equity capital markets reached record high activity, owing to companies' liquidity needs and generally supportive financial markets sustained by aggressive actions from major central banks.

### Despite Covid-19, ever-increasing valuations and more aggressive dealmaking processes

Global shocks to the economy have historically led to lower valuations and the same was typically expected to occur with Covid-19. Instead, both public and private valuations have been soaring, mainly driven by the rebound in investors' sentiment and their willingness to pay for growth, the abundance of capital stemming from loose financial conditions and cash-rich companies following stringent liquidity measures and significant support from governments and central banks, as well as heightened competition for premium assets. The resulting price inflation was very much the case in private equity deals, where deal valuations have

reached a 10-year high (2020 average EV/EBITDA deal multiple of 12.5x in Europe).

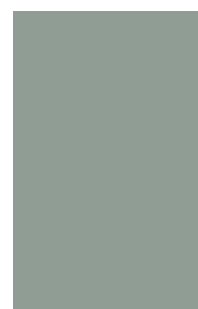
While higher valuations usually imply higher risk and call for prudence and discipline, the fierce demand for quality businesses across sectors (especially in digital and technology) from a large number of increasingly varied and professional investors led to more aggressive dealmaking processes.

However, heightened valuation multiples do not necessarily mean overpaying but it certainly requires Boards and Investment Teams to be more prepared than ever, with well-defined value creation plans articulated around both financial and non-financial dimensions. 2020 has clearly acted as a catalyst for topics such as digital transformation or decarbonisation and other ESG considerations, which are now increasingly influencing investment decisions and value creation. The traditional value creation levers of growth, leverage and cost reduction therefore need to be addressed in combination with these new dimensions in order to create sustainable value over the long term.

# Operating Model







# Our active ownership approach

Supporting our businesses is at the core of what we do. We strive to work in genuine partnership with our strong management teams.

Our responsibilities in these partnerships are threefold:

## Support and create value over the long-term

We are committed to the development of our companies over the long term. We are therefore prepared to take measured risks and to reinvest in these companies to help them grow and reinvent their business models. Typical levers to achieve value creation include: revenue growth, operational excellence, digitalisation and technology, financial structure optimisation, and sustainability.

## Contribute

We are actively involved in our businesses. Our added value lies in our ability to challenge and help them strengthen, develop and innovate, while respecting management's autonomy. We offer support through strategic and leadership insights, as well as operational and financial sounding boards. Typically, this support is articulated around seven dimensions, with sustainability as a cross-dimensional factor:



We are willing to invest our own human resources in specific ad hoc projects if we believe there is significant value creation potential. More importantly, we focus on building capabilities within our businesses to ensure effective and sustained execution.

## Engage

The partnerships with our management teams rely on a permanent, open and transparent dialogue. In terms of governance, we set up efficient and effective governance bodies, ensuring a swift decision-making process and providing the necessary checks & balances. We like to engage with everyone across an organisation, from senior management to shop floor operators. We listen and take the time to understand their culture, vision and ways of working.

*We are prepared to take measured risks and to reinvest in our activities to help them grow and reinvent their business models.*





## > Supporting our businesses in times of crisis



*Interview of  
Arnaud Laviolette  
D'leteren Group CFO*

**The year 2020 was marked by the arrival of Covid-19. What were the main challenges facing the different businesses and what was the approach of the D'leteren Group to support them through this?**

The group, and its different businesses, very rapidly gauged the crisis that was forming and proceeded to ensure that examples of good practice put in place in one of our businesses could also be useful to the others.

We had several priorities:

- **Firstly, protecting our employees and our clients.** Measures were put in place to ensure our employees were able to operate in the best and safest working conditions, and remote working was immediately encouraged where possible. To name a few concrete examples, Belron offered solutions that sanitised car interiors with vaporising sanitary products. And at Belron and Moleskine, measures were put in place to secure supplies, notably originating from China. At D'leteren Automotive, the showrooms were fitted

to guarantee social distancing. At the Group level, the shareholders agreed on a wide-ranging solidarity programme that would help the co-workers and their families who were most affected by the consequences of the sanitary crisis.

- **From the start of the pandemic, helping society and our fellow citizens** who were facing unprecedented challenges. As a family business and shareholders in four substantial businesses, we took steps in different ways. D'leteren Automotive was able to maintain automotive services for the medical and first response teams in Belgium. Belron distributed masks and gloves to medical personnel. D'leteren Immo distributed masks and protective suits to healthcare professionals and fire-fighting units.
- **Preserving our financial stability.** As we did not know how long the crisis would last, we were particularly careful to maintain high treasury levels by taking voluntary actions on our working capital; for example by increasing the RCF line from €280m to €400m

at Belron; by speeding up receivables recovery at D'leteren Automotive and Moleskine and by reducing the capital expenditure to what was strictly necessary.

- **Maintaining sufficient margins by managing strictly our costs**, as volumes were under pressure in each of our businesses. We also worked on job flexibility, took advantage of technical or temporary unemployment measures where possible, tried to make our costs more variable, renegotiated certain contracts, established agreements to suspend rent payment when offices and sites were closed, and redirected marketing budgets towards digital.
- **Accelerated transformation plans that were in preparation**. Each of our businesses had been working on transformation plans before the crisis, the implementation of which was due to be spread out over time. Faced with the crisis, however, these plans were considerably sped up. For D'leteren Automotive, who anticipated a faster evolution in the habits and demands for mobility, a large-scale social plan had to be put in place leading to around 200 collaborators leaving the group at the end of the year 2020.
- **Coming out of the crisis stronger, bouncing back and seizing growth opportunities** when the recovery started at the end of spring and in the summer. Belron quickly put their teams back to work, guaranteeing an unequalled satisfaction level. Our automotive business, meanwhile, was able to deliver a record number of cars during the summer period thanks to the engagement of our personnel.

#### **What has been the capital allocation strategy in 2020 at the Group level, and at the business level?**

At the Group level, the capital allocation strategy has not fundamentally changed. We maintained a prudent policy in terms of cash levels and dividend distribution by allocating a portion of the dividends to the solidarity fund set up for the colleagues and their families who were facing difficulties. Considering the uncertainty, our share repurchase programme was suspended until further notice.

Our businesses managed to generate important cash flows during the past financial year, and we continued to support them through these difficult times. This was the case with each of our businesses, but particularly for Moleskine, which saw most of its

distribution channels suffer in 2020 and who finalised a refinancing plan to which the Group provided important support.

And lastly, in a systematic and disciplined manner, we looked at several growth prospects for our businesses, as well as different investment opportunities for the group in one or more new pillars. Unfortunately, the conditions were not met to materialise these and we will continue our origination efforts in 2021.

#### **What were the lessons from the COVID-19 crisis for the D'leteren Group? What are the sustainable changes it will have engendered in the strategy of the group and its businesses?**

It is often in times of crisis that the biggest difference can be made. Our businesses have shown great resilience and have ended the year in stronger competitive positions. This crisis will have proven their capacity to quickly perceive a change in the external environment and to show great reactivity with considerable efforts and an exceptional ability to focus their energies.

Furthermore, digital technology has clearly accelerated the arrival of new practices of remote working, virtual interactions and online commerce, which are likely to have a long-lasting impact. Our businesses, as leaders in their field, will need to seize the opportunities of this evolution if they want to avoid being challenged by new players. That is why we have decided to accelerate the digitalisation of our processes and our client interaction for each of our activities.

All our businesses have also evolved and are now paying a much higher level of attention to ESG. We are witnessing an increasingly acute awareness for all related ESG aspects from our clients, our suppliers, authorities, and stakeholders. This is why we decided to maintain our ambition to help each of our businesses develop a strategy of sustainable development centred on critical societal impacts. We were also able to instil in each of our businesses a process to measure all the non-financial key indicators of the group (direct CO<sub>2</sub> emissions, personnel engagement, and client satisfaction), which should allow us to fine-tune our ambitions in 2021 with regards to these indicators.

Lastly, it is our almost 29,000 colleagues who make the biggest difference every day. We will continue to invest in their development, their leadership, and their capacity to be at the service of our clients.

## > Supporting our activities' sustainability journey

After leading materiality and maturity analyses in 2019-2020, all activities have defined a sustainability road-map focused on their most material aspects. A deep reflection about their sustainability strategic areas have led some of our activities to develop dedicated action plans and measurement processes, or to challenge their existing ones. In particular, D'Ieteren Automotive has decided to go through a new programme, including the launch of a widespread customer survey, to specify its ambitions related to its strategic goal of building seamless and sustainable mobility for everyone.

Regarding the D'Ieteren Group KPIs, all activities have improved the measurement of their performance regarding their direct CO<sub>2</sub> emissions, client satisfaction and employee engagement. Some of them have renewed their measurement process (for example, Belron and Moleskine for Employee Satisfaction, as well as D'Ieteren Automotive for Customer Satisfaction).

### Supporting value creation for people, customer and society

<u>AMBITION</u>	<u>ACHIEVEMENT 2020</u>	<u>GOAL 2021</u>	<u>TOWARDS 2025</u>
All activities reach a level of excellence regarding the 3 Group non-financial KPIs: People engagement, Customer Satisfaction, CO <sub>2</sub> emissions	<p><b>Goal:</b> All activities set up or challenge their measurement process regarding the 3 KPIs.</p> <p><b>Status : Achieved</b></p>	<p>All activities set up their own ambitions and strategies concerning the three KPIs.</p> <p>All activities initiate a plan to reduce their carbon emissions in line with the SBT initiative.</p>	Progress measurement

### Support performance on business specific material aspects

<u>AMBITION</u>	<u>ACHIEVEMENT 2020</u>	<u>GOAL 2021</u>	<u>TOWARDS 2025</u>
All activities have a strong sustainability strategy including quantitative targets and proper progress measurement process	<p><b>Goal:</b> All activities state their ambitions regarding their most material non-financial aspects, and define related roadmaps.</p> <p><b>Status: Achieved</b> All activities have defined strategic areas and related roadmap based on the results of their materiality analysis. For some of these aspects, they have defined a target with a time horizon, and set up a measurement process.</p>	All activities have defined quantitative targets with a time horizon concerning their strategic axes.	Progress measurement

# Our investment approach

D'leteren Group has the ambition to invest in a selected number of platform companies which are, or have the potential to become, leaders in their markets and benefit from multiple opportunities to generate value over the long-term for employees, customers, society and shareholders. We have a responsible and sustainable approach to investment and ownership and are a committed signatory of the United Nations Principles for Responsible Investment.

Convinced that intimate industry knowledge is needed to generate meaningful value, our origination efforts focus on four investment areas:

- Business Services
- Industrials
- Mobility Data And Services
- Lifestyle Goods And Services

D'leteren Group is continuously building expertise in these sectors through dedicated teams. We look for companies with sustainable competitive advantages operating in attractive markets, and which are well-positioned to capitalise on positive macro trends such as sustainable development, professional service outsourcing, new mobility, industry 4.0 automation, as well as digitalisation.

The Group's investment efforts are articulated around clearly identified criteria across 4 dimensions:

## MARKET

- Large market underpinned by long-term sustainable growth trends
- Preference for fragmented market with consolidation opportunities

## BUSINESS MODEL

- Proven and scalable business model with global reach potential
- Sustainable competitive advantages
- Ability to generate superior returns for employee, customers, society and shareholders

## MANAGEMENT TEAM

- Proven and scalable business model with global reach potential
- Sustainable competitive advantages
- Ability to generate superior returns for employee, customers, society and shareholders

## DEAL STRUCTURE

- Proven and scalable business model with global reach potential
- Sustainable competitive advantages
- Ability to generate superior returns for employee, customers, society and shareholders





*Interview of  
Nicolas Saille  
Head of M&A*

## > Pursuing our targeted search

### **Generally speaking, what has been the impact of the crisis on your search for new investments?**

Let's first remember that in March 2020 we experienced a "perfect storm" scenario with the combination of the health crisis and the resulting economic consequences of containment, and a major oil crisis. These two phenomena caused temporarily a major correction in the stock markets and a sharp decline in debt available to finance acquisitions.

Uncertainty and increased risk aversion led many potential sellers to suspend or cancel asset sale processes. M&A transactions naturally become much rarer, except in a few sectors such as technology or life sciences (pharma, biotech, MedTech).

The difficulty of being able to establish face-to-face contacts and travel restrictions also played an important role in our search for new investments. We experienced a fall in activity for a few months, during which time we focused on our existing activities as well as on a limited number of new opportunities identified previously, and on which we deepened our knowledge.

However, once the virus had been better understood and put into a more global context, particularly with the work on vaccines, general market sentiment improved significantly and the debt market reopened. Many investors chose to look beyond the economic downturn of 2020 and turned their attention to the expected rebound in 2021 and 2022. In the fourth quarter of 2020, we have seen and participated in a series of more lively discussions, reflecting a revival of M&A activity in Europe across a wide range of sectors.

**In the significant number of investment opportunities you studied in 2020, what were the main characteristics of the companies considered?**

We reviewed more than a hundred cases in 2020, which is less than we did in 2019, for the reasons mentioned above. On the other hand, we worked in detail on some of them, which we still have on our radar today, while some others did not materialise for us.

These potential acquisitions are mainly European Business Services companies or companies active in the Industrials space, which have a global reach and which we see as platforms for growth (organic and inorganic) benefiting from significant know-how and good profitability.

**Your cash reserve has increased in 2020. Has this affected your investment approach?**

Our cash reserve has indeed increased to more than €1.4 billion, due to the good performance of our activities. This has not changed the way we approach investment research except that we have increased the size of our investment team, which now consists of seven people.

**What has the Investment team learnt from the crisis? Has the crisis prompted you to consider new sectors or investment themes?**

This year's lessons have come from the health and economic crisis as well as the current context of low interest rates and abundant liquidity in the markets which make the investment business very competitive, with many different sources of capital (private equity funds, sovereign wealth funds, long-term funds, family funds, etc.) available for quality assets.

After reflection and considering the experience gained in 2019 and early 2020, we have decided to adapt our sectors of interest by modifying one of them and deprioritising another. Our "Mobility, Transport & Logistics" practice has been transformed into "Mobility, Data & Services" which focuses less on traditional mobility related businesses and more on breakthrough or innovative models benefiting from long-term positive market trends. We have also decided to temporarily deprioritise our research in the Lifestyle Goods & Services segment. Finally, we have decided to open up the possibility of also considering smaller investments, in order to expand opportunity consideration.

Among the other lessons of the year, we can mention the possibility of carrying out transactions in a virtual way, thanks to the numerous communication and exchange tools and platforms. We have adapted to these, even though we prefer to build relationships with the various stakeholders in person.

The importance of digitalisation has in many ways been further emphasised during this health crisis. This transversal theme remains at the heart of our concerns, as an investment criterion, a competitive advantage or an area for improvement in our search for new activities.

Finally, we have also decided to place ESG considerations more at the centre of our investment research. We have therefore incorporated an ESG angle into our origination approach upstream of the more in-depth analysis phases, in the development of our investment proposal and during our due diligence exercises.



## > Formalising our responsible investment approach

In terms of ESG reporting, the activities have now adapted the structure of their disclosure in line with their respective sustainability roadmap and strategic axes. All activities, including D'leteren Immo for the first time, are aligning their reporting to the topic specific GRI standards - option Core. The next steps will be to further support our activities in applying the recommendations of the TCFD (Task Force on Climate-related Financial Disclosure).

D'leteren Group also provided for the first time an ESG statement, which includes more generic non-financial data covering for example employee-related or environment data (see page 185 on the Financial and Directors' Report).

D'leteren Group initiated in 2020 a process of independent limited assurance on a selection of non-financial KPIs. Our ambition is to continue expanding the scope of our independent limited assurance to cover all ESG data, starting with strategic and group KPIs.



## Providing investors with detailed and reliable non-financial reporting

<b><u>AMBITION</u></b>	<b><u>ACHIEVEMENT 2020</u></b>	<b><u>GOAL 2021</u></b>	<b><u>TOWARDS 2025</u></b>
D'leteren Group publishes a non-financial reporting aligned with the most recognised standards and recommendations.	<p><b>Goal:</b> D'leteren Group publishes a non-financial reporting in line with GRI and SASB standards.</p> <p><b>Status: Achieved</b> All activities, including for the first time D'leteren Immo, have issued a non-financial reporting in line with the topic specific GRI standards. The structure of the reporting was based on SASB standards, among other sources. The Group also published its first ESG statement.</p>	All activities start implementing the TCFD recommendations.	Continuous improvement, including with regard to the implementation of the EU Taxonomy.
D'leteren Group's non-financial reporting gets independent limited assurance.	<p><b>Goal:</b> Reporting 2020 gets independent limited assurance on a first selection of KPIs for Belron, D'leteren Automotive and Moleskine.</p> <p><b>Status: Achieved</b> First independent limited assurance obtained for a selection of KPIs regarding the three activities.</p>	Independent limited assurance scope is expanded to a second selection of KPIs, including for D'leteren Immo.	All Group KPIs and material KPIs receive independent limited assurance. The scope of the assurance is extended to cover the whole ESG statement.

## Embedding sustainability in the investment process

<b><u>AMBITION</u></b>	<b><u>ACHIEVEMENT 2020</u></b>	<b><u>GOAL 2021</u></b>	<b><u>TOWARDS 2025</u></b>
ESG is embedded in all stages of the investment process.	<p><b>Goal:</b> 100% of investment cases in final phase include a sustainability analysis.</p> <p><b>Status: Achieved</b> All investment cases have included a sustainability analysis in a final phase of the investment cycle (investment thesis).</p> <p>D'leteren Group became a signatory of the UN PRI.</p>	<p>100% of investment cases include a sustainability analysis throughout the investment cycle.</p> <p>D'leteren Group publishes its Responsible Investment Charter.</p> <p>First PRI reporting (on a voluntary basis).</p>	Continuous improvement and alignment on national and EU regulations.

# Our success story:

## Building resilience by balancing risks and opportunities

The success of D'leteren Group's family of businesses depends on its ability to mitigate risks and to turn them into opportunities. Comprehensive risk management and internal control systems are implemented to identify, assess and mitigate all possible risks. These mitigating actions ensure sustainable success, the protection of our reputation and the achievement of strategic objectives, both financial and non-financial. For more details regarding the mapping of our risks, their potential impacts and our mitigating actions, please refer to our financial report on p. 104.

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 as well as key performance indicators. The adoption of accounting procedures ensures the consistency, integrity and accuracy of the company's financial records. The financial statements are prepared by the activities' 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'leteren Group, and the application of IFRS is discussed with the Statutory Auditor and in the Audit Committee. The financial information processes are covered by specific procedures, follow-up checks and rules of validation. More generally, financial risk is managed through a prudent approach towards financial leverage and liquidity at all levels.

As for ESG aspects, given the rising impact climate change can have on businesses, D'leteren Group is working to commit to the Task Force on Climate-related Disclosures (TCFD) and to bring its reporting in line with their recommendations. The long-term nature of climate change also implies a longer-term horizon with regards to risk identification and mitigation, both regarding transition and physical risk.

For each activity, a materiality analysis has been conducted. This latter provides in-depth and personalized analysis based on market studies, dialogues with the main stakeholder groups and discussions with their management. At the end of this materiality analysis, topics that significantly influence the organisation have been highlighted and brought to light as material risks or opportunities.

D'leteren Group sees its environment as a whole and through a comprehensive risk management system transforms its main risks (both financial and non-financial) as engines to reach excellence. In 2020 we have highlighted three main risks out of our risk mapping in order to give an overview as to how concretely ongoing risks are assessed and how they can, if well managed, bring lessons learned and opportunities and trigger innovations.

- Today more than ever our activities rely on digital technology and data to offer the best services and products that suit today' and tomorrow's customer needs. Hence, cyber security and data privacy have come at the forefront of our attention.
- The Global Health crisis, by its unexpected character, has shown D'leteren Group's and its activities' capacity to be proactive, flexible and resilient in face of uncertainty.
- D'leteren Group sees environmental challenges as an opportunity to foster the Group's sustainable growth while contributing to preserve the environment for the generations to come.

### TAKE ADVANTAGE OF THE DIGITAL WORLD

As part of their operations, each activity collects, processes, and analyses data to understand its customers better and use IT systems to operate efficiently.

While this also embeds several risks, applying rigorous controls and regulatory compliance protocols and directing these technologies with agility also offer great opportunities, be it on the operations efficiency or on the customer experience.

#### TAKE APPROPRIATE MEASURES

- Ensure GDPR compliance through well-defined processes
- Cyber-security & Data privacy dedicated personnel and investments
- Software and physical control
- Personnel training

### PROTECT EMPLOYEES, CLIENTS HEALTH & SAFETY AND BUILD RESILIENCE

D'leteren Group and its activities have built and shown resilience to the ongoing global health crisis by adopting a proactive and dynamic behaviour to overcome adversity.

Aligned with our values, priority was given to protecting employees and customers by following strictly and facilitating governmental recommendations everywhere we operate.

This crisis and the way the activities and the Group responded to it has also triggered an acceleration of the transformation of our activities, which are now well prepared to face their rapidly evolving ecosystem.

#### TAKE APPROPRIATE MEASURES

- Adopt governmental recommendations
- Encourage and facilitate homework
- Ensuring the best customer service possible while assuring safety
- Accelerate transformation
- Contain costs
- Preserve financing and liquidity

### CONTRIBUTE TO PROTECT OUR ENVIRONMENT FOR THE NEXT GENERATIONS

D'leteren Group is aware of the impact its activities can have on the environment and, the other way around, the impact the environment can have on its operations. A good understanding of this two-way impact is key to success.

We are building resilience to any environmental challenges by trying and anticipating the trends, more particularly, the regulatory environment which is changing fast in the face of the climate urgency.

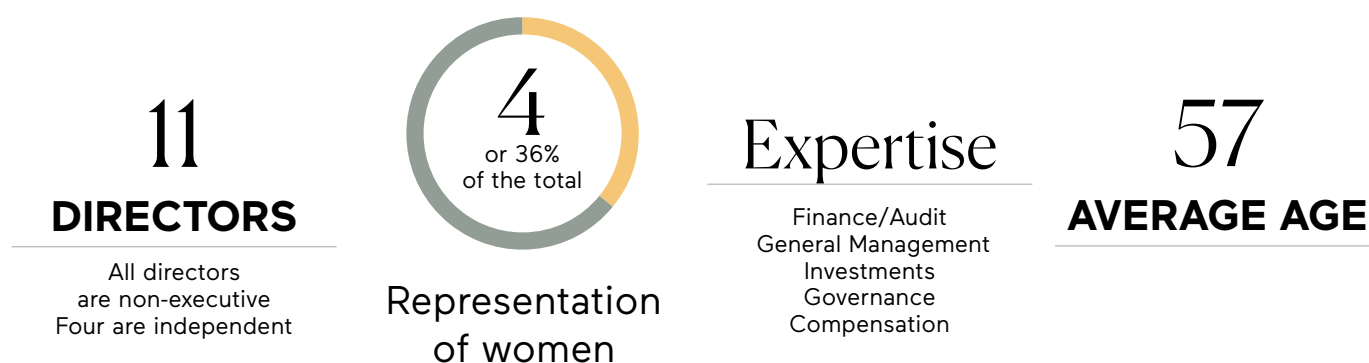
#### TAKE APPROPRIATE MEASURES

- Foster environmentally friendly innovation inside our businesses and look for opportunities in our potential future investments
- Promote environmentally friendly behavior: responsible use of natural resources, production and consumption of renewable energy when possible and sustainable waste management
- Raise employee awareness
- Set up an action plan to monitor and to reduce CO<sub>2</sub> emissions
- Ensure strict environmental law compliance
- Environmental reporting including climate change risks following the TCFD recommendations



# Governance

# Board of Directors



# Board Committees

## AUDIT COMMITTEE

## NOMINATION AND REMUNERATION COMMITTEE

## STRATEGIC COMMITTEE

### > Role

Control of financial information and oversight of risk management and internal control mechanisms of the Company and the main entities of the group.

Preparation of decisions relating to the appointment and remuneration of directors and senior managers of the Group, and regular review of the succession planning, appointment and remuneration systems and policies across the Group.

Reflections on the Group's strategy and long-term objectives, analysis of investment and divestment projects, monitoring of business activities, and preparation of strategic points for the Board of Directors.

### > Number of members

4

5

4

### > Number of meetings during 2020

4

4

17

In 2019, the Board conducted a Board assessment exercise with the help of external professionals. Board assessments are carried out every 3 years.

# Group Executive Committee

## > Role

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The Executive Committee is mainly in charge of the monitoring and development of the Group's activities, as well as investment and divestment projects.

## > Two members

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**Francis Deprez: CEO**  
**Arnaud Laviolette: CFO**

The members of the Executive Committee act in a collegial way. The Committee is supported by a Corporate Team composed of investment experts (working on new investments, sourcing, deal execution & portfolio management), as well as by a series of other experts (Legal, Finance, Tax, Investor Relations, Communication and ESG).

# Governance at activity level

The Group's businesses each have their own governance, namely a board of directors and executive management. The Corporate Team interacts regularly with the activities' management (depending on the topic, on a weekly, monthly, quarterly or ad hoc basis).

## > D'Ieteren Automotive

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D'Ieteren Automotive, which has become a fully owned subsidiary of D'Ieteren SA since the 1<sup>st</sup> of January 2021, is managed by the CEO of D'Ieteren Automotive, who acts under the authority of the Group CEO. The CEO of D'Ieteren Automotive chairs the Management Committee of D'Ieteren Automotive, which includes 8 other members, responsible for Finance and Operations, IT, Marketing, Brands & Network, Retail, New Mobility, Human Resources and Strategy & Transformation.

## > Belron

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Belron, of which D'Ieteren Group holds 54.85% of the voting rights on December 31, 2020, is managed by a Board of Directors which includes 6 members, three of whom are appointed by D'Ieteren Group, two by CD&R and the CEO of Belron.

## > Moleskine

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Moleskine, a wholly owned subsidiary of D'Ieteren Group, is managed by a Board of Directors made up of 7 members, five of whom are appointed by D'Ieteren Group, and Moleskine's CEO and CFO.

## > D'Ieteren Immo

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D'Ieteren Immo, a wholly owned subsidiary of D'Ieteren Group, is managed by a Board of Directors made up of 4 members, three of whom are appointed by D'Ieteren Group and the CEO of D'Ieteren Immo.

# Internal control and risk management system

The organisation dealing with risk management in the Group aims to identify, assess and limit risks in order to protect the reputation, the lasting success and the achievement of the Group's objectives.

## > Three lines of defence

BOARD OF DIRECTORS WITH THE SUPPORT OF THE AUDIT COMMITTEE			EXTERNAL AUDITORS
FIRST LINE OF DEFENCE	SECOND LINE OF DEFENCE	THIRD LINE OF DEFENCE	
Operative controls	Controlling	Internal audits	
Direct control and monitoring by the management	Risk management		
	Compliance		
<b>RISK OWNERSHIP</b>	<b>RISK CONTROL</b>	<b>RISK ASSURANCE</b>	

## > Organisation

There are 5 levels of risk management within the group:

- The operational level of each activity;
- The management of each activity;
- The internal audit team;
- The Audit Committee\* and the Board of Directors for each activity\*\*;
- The Group's Audit Committee and Board of Directors;

\* The Audit Committee of D'Ileteren Immo and D'Ileteren Automotive is the same as that of the Group. Since the 1<sup>st</sup> of January 2021, D'Ileteren Automotive has its own Audit Committee.

\*\* The Board of Directors of D'Ileteren Automotive is the same as that of the Group. Since the 1<sup>st</sup> of January 2021, D'Ileteren Automotive has its own Board of Directors.

# Remuneration policy for members of the Group Executive Committee

The Group pursues a remuneration policy designed to attract and retain managers with the appropriate profiles, and to motivate them with adequate incentives, in accordance with the level of risk accepted by the Group and allowing it to generate long term value.

The remuneration of the individuals in the Group's Executive Committee is set by the Board of Directors, upon proposal of the Nomination and Remuneration Committee.

It is made up of:

- A fixed annual compensation;
- Variable compensation, comprising:
  - o A variable annual compensation based on collective performance criteria (financial and non-financial), of which the target is around 65-70% of the fixed compensation;
  - o A long term cash incentive based on financial and non financial criteria measured over a period of 3 years; and
  - o A long-term incentive plan in the form of stock options.