



BREDERODE

CORPORATE GOVERNANCE STATEMENT [2016](#)



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# 1. Corporate Governance Charter

Brederode complies with the revised third edition of the Luxembourg Stock Exchange Ten Principles of Corporate Governance (X Principes de gouvernance d'entreprise de la Bourse de Luxembourg). On 30 May 2014, Brederode adopted a Corporate Governance Charter which entered into force on 19 July 2014 and reads as follows:

## 1.1. Introduction

Brederode commits to respecting the Luxembourg Stock Exchange Ten Principles of Corporate Governance (third edition). These principles are based on European company law and the latest developments in corporate governance, such as they appear in the governance codes of major European markets.

These principles are as follows:

### **Principle 1 – Corporate governance framework**

The company shall adopt a clear and transparent corporate governance framework for which it shall provide adequate disclosure.

### **Principle 2 – The Board of Directors' remit**

The Board shall be responsible for the management of the company. As a collective body, it shall act in the corporate interest, and shall serve all the shareholders by ensuring the long-term success of the company.

### **Principle 3 – Composition of the Board of Directors and of the special committees**

The Board shall be composed of competent, honest, and qualified persons. Their choice shall take account of the specific features of the company. The Board shall establish the special committees necessary for the proper execution of its remit.

### **Principle 4 – Appointment of Directors and Executive Managers**

The company shall establish a formal procedure for the appointment of directors and executive managers.

### **Principle 5 – Conflicts of interest and business ethics rules**

The directors must show integrity and commitment. Each shall represent the shareholders as a whole, and shall make decisions solely in the company's interest, and independently of any conflict of interest

### **Principle 6 – Evaluation of the performance of the Board**

The Board shall assess regularly its operating methods and its relationship with the executive management.

### **Principle 7 – Management structure**

The Board shall set up an effective structure of executive management. It shall clearly define the assignments and duties of executive management and shall delegate the powers required for the proper discharge of these assignments and duties to the latter.

### **Principle 8 – Remuneration policy**

The company shall secure the services of qualified directors and executive managers by means of a fair remuneration policy that is compatible with the long-term interests of the company.

### **Principle 9 – Financial reporting, internal control, and risk management**

The Board shall establish strict rules that are designed to protect the company's interests in the areas of financial reporting, internal control and risk management.

### **Principle 10 – Shareholders**

The company shall respect the rights of its shareholders and shall ensure that they receive equal treatment. The company shall establish a policy of active communication with its shareholders

The Governance Charter will be updated in accordance with future policy developments in terms of corporate governance.

Major changes to the Charter will be communicated in the Corporate Governance Statement of the annual report.

## 1.2. Definitions

Articles of association: the amended articles of association of Brederode SA can be consulted on its website [www.brederode.eu](http://www.brederode.eu).

Law: the Luxembourg law of 10 August 1915 on commercial companies, as amended.

Ten Principles: the Luxembourg Stock Exchange Ten Principles of Corporate Governance (X Principes de gouvernance d'entreprise de la Bourse de Luxembourg) which can be viewed at <https://www.bourse.lu/gouvernance-entreprise>.

## 1.3. Applications of the recommendations

As regards the recommendations, which describe how to apply the principles of good governance concretely, the Board of Directors has taken into account the specific situation of Brederode.

Due to its activities, investment strategy and size, Brederode aims to maintain a simple, informal, and consensual management structure based around the strong cohesion that a small management team engenders. By following a management approach that respects the rules of good governance, Brederode has been able to guarantee its success, profitability and excellent shareholder relations for many years.

With this in mind, the current Charter complies with the majority of the recommendations in the Ten Principles, but does however depart from them occasionally.

## 1.4. Rules of procedure of the board of directors

### 1.4.1. Role of the Board of Directors

The Board of Directors acts together to manage the company and is accountable to the General Assembly,

which appoints and dismisses directors. It serves all the shareholders by ensuring the long-term success of the company.

The Board of Directors holds extensive powers in order for it to fulfil its corporate purpose. The Board's roles include setting out and governing the general policies and strategic objectives of the company and the group, as well as their investment policy.

Within the scope of this remit, the Board of Directors' role includes but is not limited to:

- setting out the company's values, objectives, strategy and acceptable risk level;
- debating and making any major decisions for the company;
- organising and controlling the company's management;
- reviewing and adopting the company's financial statements while ensuring that they give a true and fair view of the company and that they are published within the legal time frame;
- ensuring the provision of the structures and means necessary for fulfilling the company's purpose;
- approving the reports of the Audit, Governance and Risk Committee and ensuring that it functions correctly;
- calling and establishing the agenda for ordinary and extraordinary general assemblies.

### 1.4.2. Composition

The Articles of Association stipulate that the Board of Directors comprise at least three members, but do not specify a maximum number of members.

In order to act effectively and to maintain a balance between executive and non-executive directors, the Board of Directors comprises between five and seven members.

It is currently composed of three directors holding an executive position within the group and appointed at the proposal of the controlling shareholder. Two of them are responsible for the day-to-day management of Brederode

SA. The chairman of the Board of Directors is the third executive director, whom the Board of Directors considers to be an asset for the company given its history and specific nature. The other two directors are independent.

Each director possesses the expertise and integrity to make the most of their contribution to the Board's work. The current composition of the Board of Directors is justified given the small number of directors, along with the company's size and activity.

### 1.4.3. Appointment of directors

The directors are proposed by the Board of Directors and appointed by the General Assembly.

When choosing directors, the company takes into account their expertise (particularly in terms of finance, accounting and auditing) and diversity (in particular with a view to guaranteeing a range of complementary profiles and experiences).

The Board of Directors:

- assesses the existing and required skills, knowledge and experience for any vacancy and, based on this assessment, draws up a description of the role as well as the skills, knowledge and experience that are sought;
- considers all proposed director nominations submitted by its members and shareholders, and draws up a list of candidates to be submitted to the General Assembly; special focus is placed on the skills, experience and integrity of candidates;
- gives its opinion on the degree of independence of director candidates.

In the case of a new candidacy, the chairman of the Board of Directors ensures that, before considering approving the candidacy, the Board of Directors has received sufficient information about the candidate: their curriculum vitae, an assessment based on their initial interview, the list of other positions that they hold and, where necessary, any relevant information relating to their independence assessment. The General Assembly is informed of the details stipulated in Recommendation 4.11 of the Ten Principles.

### 1.4.4. Term/Age limit

The Articles of Association specify a maximum renewable term of office of six years for directors.

To ensure management stability, the company has adopted the policy of appointing directors for a period of three to six years, on the understanding that directors can always resign or be dismissed in accordance with the Law.

The age limit is set at 65 by the Board of Directors.

The General Assembly or, where necessary, the Board of Directors has the power to depart from the regulations of the previous two paragraphs on a case-by-case basis.

### 1.4.5. Independence criteria

Independence is assessed on substance over form.

Each independent director meets the following criteria:

1. he is not an executive director of the company or an affiliated company and have not held such a position during the last five years;
2. he is not an employee of the company or an affiliated company, and have not been during the last three years;
3. he does not receive, and have never previously received, significant additional remuneration from the company or an affiliated company aside from the fixed remuneration received as a non-executive director;
4. he is not nor does he in any way represent a strategic shareholder with an interest of 10% or more;
5. he does not and, during the last financial year, has not maintained a major business relationship with the company or an affiliated company, either directly or as an associate, shareholder, director or senior executive of a body maintaining such a relationship. The term business relationship is understood to refer to a major supplier of goods or services (financial, legal, advisory or consultancy) or a major client of the company, as well as organisations that receive major contributions from the company or its group;
6. he is not and, during the last three years, has not been an associate or employee of the registered

auditor, whether past or present, of the company or an affiliated company;

7. he is not an executive director (or member of the executive board) of another company in which an executive director of the company sits as a non-executive director or member of the supervisory board, and they have no other major links to the executive directors of the company due to positions held in other companies or bodies;
8. he has not sat on the Board of Directors as a non-executive director for longer than 12 years;
9. he is not part of the immediate family of an executive director or any person in one of the situations mentioned in points 1 to 8.

The Board of Directors may decide that a director who does not fulfil one or several of the above criteria may nevertheless be considered independent. Any decision on this point will be especially and expressly justified by the Board of Directors.

The independent director commits:

1. to maintaining their independence when analysing, making decisions and acting in all circumstances;
2. to neither seeking nor accepting improper benefits that could be deemed to compromise their independence, and
3. to clearly expressing their opposition in the event that they believe a decision of the Board of Directors may harm the company. When a non-executive director has serious reserves regarding a decision made by the Board of Directors, this non-executive director must accept the consequences of the decision. If this leads to them resigning, they must justify their resignation in a letter addressed to the Board of Directors or the Audit, Governance and Risk Committee.

#### 1.4.6. Functioning

The functioning of the Board of Directors is governed by Article 12 of the Articles of Association.

It meets at least three times per year and whenever the interests of the company require it or when two directors request it. Meetings are called by the chairman.

Decisions made by the Board of Directors are recorded in the minutes, which are entered into a special register and signed by at least the chairman and secretary.

The directors have a duty to keep any information received in their capacity as a director confidential and may not use this information for purposes other than carrying out their mandate.

The Board of Directors is mindful of potential conflicts of interest that could arise with a shareholder, director or one of the group's companies and consequently ensures that adequate procedures, in particular those stipulated by Article 57 of the Law, are implemented. The concerned director is subject to the procedure after the Chairman of the Board of Directors, the Audit, Governance and Risk Committee and the registered auditor are informed, if possible before the procedure is carried out. The Board of Directors is informed of the opinion of the latter two. If, during a session of the Board of Directors at which the required majority for valid deliberation is present, one or several directors do not participate in the deliberation due to Article 57 of the Law, valid decisions are made by a majority vote of the other members present at the meeting.

The executive directors periodically report Brederode's business performance, in particular changes to its stock portfolio, the supervision of its subsidiaries and the group's financial management, to the Board of Directors and, at its request, to the Audit, Governance and Risk Committee.

#### 1.4.7. Representation

The company is bound by:

- the joint signature of two directors;
- the sole signature of any person who has been given signing authority by the Board of Directors, but only within the limits of this authority;
- the sole signature of the managing director, but only within the management and current transaction limits.



### 1.4.8. Evaluation

Under the leadership of its chairman, the Board of Directors carries out an evaluation of its size, composition, role, functioning and compliance with the governance regulations at least every two years.

The non-executive directors regularly evaluate their interaction with the executive directors and the performance of the latter. For this reason, they meet at least once a year without the executive directors.

### 1.4.9. Role of the chairman

The responsibilities of the chairman of the Board of Directors are as follows:

- to ensure that the Board of Directors operates in accordance with this Charter as regards its composition, functioning and decision-making;
- to draw up the agenda for Board of Directors meetings, in tandem with the executive directors;
- to make sure that all of the directors are called to meetings of the Board of Directors in good time and that they receive the relevant information;
- to make sure that all of the directors have the opportunity to express their views in a climate of trust and, if possible, that decisions are made unanimously, without any one director dominating the decision-making;
- to make sure that the Audit, Governance and Risk Committee is validly constituted and that a chairperson is named;
- to take the initiative in organising the difference evaluation procedures with a view to constantly improving the company's corporate governance regulations;
- to ensure that, during the General Assemblies, shareholders are able to question the directors and the registered auditor, and that they receive answers to their questions;
- to provide new directors with precise information on:
  - the group's value and strategy;

- the functioning of the company's bodies;
- the specific tasks and responsibilities that the director will be required to perform for the Board of Directors and, potentially, for the Audit, Governance and Risk Committee.

### 1.4.10. Remunerations

The executive directors receive basic remuneration but no bonus or long-term profit-sharing plan.

The non-executive directors receive neither performance-based remuneration, nor benefits in kind, nor pension-related benefits. They may renounce the fixed remuneration that they are granted by the company.

There are no plans to remunerate anyone by awarding shares, share options or any other rights to acquire shares.

Any of the directors, including the executive directors, can be dismissed *ad nutum* and without severance pay, unless legal provisions to the contrary apply.

The Board of Directors:

- determines the remuneration policy for directors and decides on the resulting proposals that must be submitted to the general assembly;
- determines the directors' individual remuneration, including any variable remuneration and long-term performance-based bonuses as well as severance pay and, where necessary, decides on the resulting proposals that must be submitted to the general assembly, while ensuring that no-one is involved in making decisions about their own remuneration;
- prepares the remuneration report contained in the annual report.

## 1.5. Executive directors

### 1.5.1. Role

The Board of Directors entrusts the day-to-day management of the company to two managing directors who are also responsible for managing and monitoring the risks identified by the Board of Directors.

In particular, these executive directors:

- are responsible for the complete, timely, reliable and accurate preparation of the financial statements in accordance with accounting standards and company policies;
- submit an objective and comprehensible assessment of the company's financial situation to the Board of Directors;
- regularly submit proposals to the Board of Directors concerning the defined strategy;
- participate in preparing decisions that are to be made by the Board of Directors;
- provide the Board of Directors, in good time, with all of the information needed to fulfil its obligations;
- implement internal controls (systems to identify, evaluate, manage and monitor financial risk and others) without prejudice to the role of the Board of Directors in this area;
- regularly report back to the Board of Directors on the performance of their duties.

### **1.5.2. Internal rules of procedure for executive directors**

The executive directors work as a partnership; they regularly consult one another in order to share information and opinions, analyse internal and external documents, and make authorised decisions.

As a result of this spirit of partnership, there is no need to designate a president of the executive directors.

## **1.6. Internal rules of procedure for the audit, governance and risk committee**

An Audit, Governance and Risk Committee has been created within the Board of Directors. Given the size of the company and the specific nature of its activities, the Board of Directors did not see fit to create appointments and/or remuneration committees. The Board of Directors

as a whole directly takes on the responsibilities that the Ten Principles assign to these committees.

The committee has an advisory role. Decision-making remains the role and responsibility of the Board of Directors.

### **1.6.1. Composition and functioning**

The Board of Directors chooses the members of the Audit, Governance and Risk Committee. The committee is composed solely of independent directors. The group's simplicity and financial structure and the limited number of directors justify there only being two members of the committee. For the same reason, there is no need to implement an internal audit function.

The committee decides itself who is invited to its meetings. At least once per year, it meets with the registered auditor without the presence of the executive directors.

The Audit, Governance and Risk Committee meets at least twice a year when called by its chairman or at the request of two of its members. The legal and financial structure of the group, which only publishes financial statements twice a year, justifies the committee not being obliged to meet more often.

The Board of Directors ensures that the Audit, Governance and Risk Committee has the necessary means for fulfilling its role. After consulting with the chairman of the Board of Directors, the committee may, where appropriate, request the opinion of external advisers at the expense of the company.

A copy of the minutes from the Audit, Governance and Risk Committee meetings is submitted to the Board of Directors. The committee's chairman reports to the Board of Directors.

### **1.6.2. Role**

The mission of the Audit, Governance and Risk Committee is to assist the Board of directors in its financial reporting, control in its broadest sense, and risk management duties.

- Interim and annual reports

The Audit, Governance and Risk Committee regularly assesses the efficiency of the financial reporting system. It

ensures that the company's financial information gives a true and fair view of the company's activities. It meets with the registered auditor and checks, in particular, the annual and periodical information before it is published.

It makes sure that the Belgian or international assessment rules and accounting standards, including the consolidation rules, are relevant, coherent and correctly applied. Where applicable, it proposes modifications to the assessment rules.

- Internal control and risk management

Once a year, the Audit, Governance and Risk Committee, in collaboration with the registered auditor, evaluates the internal control systems and ensures that major risks are identified, managed and communicated. In this respect, it makes appropriate proposals and recommendations to the Board of Directors.

The partnership approach described in point 5.2 further implies almost permanent mutual control that is directly provided by the executive directors themselves.

The annual report informs shareholders of risk management activities.

- Assessment of the external control

The Audit, Governance and Risk Committee gives its opinion to the Board of directors on the issue of selecting, appointing and remunerating the registered auditor.

It is informed of the registered auditor's work programme. It assesses the independence of the registered auditor and invites the latter to report on its relationship with the company's executive directors. It determines which services, aside from auditing, may be supplied by the registered auditor.

It ensures that the executive directors respond rapidly and satisfactorily to any remarks made by the registered auditor.

The registered auditor may, at any time, speak directly to the chairman of the Audit, Governance and Risk Committee or the chairman of the Board of Directors, in particular to inform them of any problems identified.

- Governance

The Audit, Governance and Risk Committee ensures that the governance regulations are applied, in particular the Ten Principles and this Charter.

The committee assesses its composition and functioning at least every two years.

## 1.7. Secretary

The Board of Directors appoints a secretary, who is not necessarily a director.

Under the authority of the chairman of the Board of Directors, the secretary ensures that this Charter, and in particular its procedures and rules relating to the functioning of the Board of Directors, is applied.

In conjunction with the chairman, they draw up minutes of the deliberations of the Board of Directors and the Audit, Governance and Risk Committee during their meetings and note any decisions made by these two bodies. These minutes are submitted for the approval of the Board of Directors or the committee

## 1.8. Rules concerning financial transactions

### 1.8.1. Disclosure of information

Before engaging in transactions regarding financial instruments issued by the company or financial instruments associated with them, each director and employee of the company or one of the group's companies, as well as anyone with close links to them, is required to inform the chairman of the Board of Directors, who will indicate whether a blackout or close period is in place.

During close periods and blackout periods, transactions may only take place with the prior authorisation of the chairman of the Board of Directors.

The director or employee must warn the chairman of the Board of Directors of the effective completion of the proposed transaction.

### 1.8.2. Close periods and blackout periods

“Close periods” are as follows:

- the period of one month immediately prior to the publication of the annual report or, if it is shorter, the period running from the last day of the accounting year for which the annual results are reported up to the publication of this report;
- the period of one month immediately prior to the publication of the interim financial report and running up to its publication or, if it is shorter, the period running from the last day of the semester for which the interim results are reported up to the publication of this report;
- the period of one week immediately prior to the publication of the interim statements and running up to their publication.

“Blackout periods” or periods considered to be privileged begin as soon as a director becomes aware of privileged information (in accordance with Article 1.1 of the Law of 9 May 2006 relating to market abuses) and last until this information is published.

### 1.8.3. Publication of transactions

Transactions regarding financial instruments issued by the company or financial instruments associated with them are made public when required by law.

## 1.9. General meetings

Ordinary General Meetings take place each year on the second Wednesday of May at 2:30pm.

The company treats all shareholders equally. It ensures that the means and information allowing shareholders to exercise their rights are available, in particular on its website.

Shareholders are encouraged to participate in the General Meeting. Any reasonable proposal by one or several shareholders who together represent at least 5% of the share capital is included in the agenda of the General Meeting by the Board of Directors.

During the meeting the executive directors respond to all relevant questions, in particular those relating to the annual report and items on the agenda, unless the response is likely to seriously harm the company.

## 1.10. Controlling interest

The company is controlled by Holdicam SA which, according to the latest transparency declaration (dated 28 July 2014), holds 55.67% of the share capital. The company is not aware of any shareholder agreements.

The Board of Directors ensures that the controlling interest uses its position wisely and that it respects the rights and interests of the minority shareholders.

## 2. Shareholders

### 2.1. Law governing transparency obligations

On 28 July 2014, the company received a joint notification from Stichting Administratie kantoor (STAK) HOLDICAM and HOLDICAM S.A. This notification derived from the law and Grand-Ducal regulation of 11 January 2008 regarding the transparency obligations for issuers of securities.

Under the terms of this notification and on the date it was issued, ultimate control of BREDERODE S.A. is held by STAK HOLDICAM. STAK HOLDICAM holds 100% of HOLDICAM S.A., which itself holds 55.67% of BREDERODE S.A. The latter holds 100% of ALGOL S.A.R.L. which holds 99.99% of GEYSER S.A., which in turn holds 0.60% of BREDERODE S.A.

As at 31 December 2016, HOLDICAM S.A. and GEYSER S.A. held 58.18% and 4.11% of BREDERODE S.A., respectively.

### 2.2. General Meeting and shareholder rights

The General Meeting operates and exercises its power in accordance with the Law of 10 August 1915 governing commercial companies and with the Articles of Association. The Law of 24 May 2011, governing the exercise of certain shareholder rights at the general meetings of limited companies, provides for the main shareholder rights as well as the procedure for exercising these rights, which are recorded in the minutes of the General Meeting.

The Brederode shares are ordinary shares and all enjoy the same rights. Each share gives equal rights to dividends and a share of the reserves in the event of liquidation or capital reduction. Each share gives equal voting rights during the Brederode General Meeting. The company has not issued any securities with special voting rights. Except where contrary legal provisions are applied, voting rights are not restricted in any way, such as by voting limits for holders of a certain percentage or certain number of votes, deadlines for exercising voting rights, or systems whereby, with the

company's cooperation, the financial rights attached to the securities are separated from the holding of securities.

The company's Articles of Association may be modified by the Extraordinary General Meeting. The latter may only deliberate this point if at least half of the shareholders are present or represented at the meeting and the agenda indicates the proposed modifications to the Articles of Association as well as, where necessary, the text of any proposed modifications that affect the purpose or form of the company. If the first of these conditions is not fulfilled, a second general meeting may be called as stipulated by the Articles of Association and the law. The convening notice for this general meeting will reproduce the agenda, indicating the date and results of the previous general meeting. The second general meeting may deliberate validly, whatever the proportion of capital represented. In both General Meeting, in order for the resolutions to be valid they must be adopted by a two-thirds majority of the shareholders present or their representatives. The nationality of the company may only be changed and an increase or reduction in shareholder equity may only be decided with the shareholders' unanimous agreement and subject to compliance with all other legal provisions.

## 3. Composition and functioning of the administrative bodies and their committees

### 3.1. Composition of the Board of Directors and its Committee

Board of Directors

- Pierre van der Mersch, Chairman (2020)
- Luigi Santambrogio, Managing Director(2020)  
Axel van der Mersch, Managing Director (2020)
- Michel Delloye(1) (2017)
- Bruno Colmant(1) (2017)

(1 )Independent Director

On the date of his appointment as company director, Mr Delloye had not sat on the board of directors of Brederode or the board of the Belgian company Brederode (now dissolved) for more than 12 years. If it is considered that, for this condition to be assessed, terms of office held within the Belgian company Brederode and Brederode have to be added up (in line with the principle according to which the assessment of independence is based on substance rather than form), Mr Delloye has reached the period of twelve years in the course of the current term of office. At the time of his appointment, the combined nomination and remuneration committee and the board of directors of the Belgian company Brederode felt that Mr Delloye's presence on the board of directors for so many years did not constitute an obstacle to his independence in the case in point. They were of the opinion that Mr Delloye had never ceased to perform his role completely independently of the executive directors and controlling interest, and that there was no reason to believe that the duration of his role would jeopardise this independence. In addition, they considered the presence of a director with such a good understanding of the group and its work to be extremely valuable. These considerations were adopted by the General Assembly on 14 May 2014 and confirmed by the Board of Directors during its session on 4 March 2015.

Executive management

- Luigi Santambrogio
- Axel van der Mersch
- Pierre van der Mersch

Audit, Governance and Risk Committee

- Michel Delloye, Chairman
- Bruno Colmant

The Audit, Governance and Risk Committee is composed of Bruno Colmant and Michel Delloye.

All members of the Audit, Governance and Risk Committee have held senior positions in various economic sectors for numerous years. They are unquestionably experienced in terms of accounting and auditing.

Given the size of Brederode and the specific nature of its activities, it was not seen fit to create appointments and/or remuneration committees. The Board of Directors as a whole directly takes on the responsibilities that the Ten Principles assign to these committees. On 15 March 2017, the Board of Directors re-examined this decision and confirmed that it was not appropriate to create an appointments and/or remuneration committee.

#### **Pierre van der Mersch, 82 years**

Positions within the group: director and chairman of the Brederode Board of Directors; member of the management body of several subsidiaries

Degree in business and finance (UCL); Special degree in private company management and organisation (UCL); Graduate of the Harvard Business School (ISMP). Former Managing Director of the First National City Bank and Barclays Bank International in Brussels; former Managing Director of NCB Eurosecurities in Brussels and First National City Bank Luxembourg; former director of several companies listed on the Brussels and London stock

exchanges. President of the Brederode group since 1976 and CEO from 1981 to 2006.

Mandates outside the group in listed companies: none

### **Luigi Santambrogio, 56 years**

Positions within the group: managing director responsible for the day-to-day management of Brederode; member of the management body of several subsidiaries

B.A. in Business Administration (Bocconi University). Subsequently Financial Analyst at the Continental Bank, London; Assistant Manager at Kleinwort Benson Ltd, London; Assistant Vice-President at Merrill Lynch International, London; Vice-President of Prime S.P.A. (Fiat Group), Milan; Vice-President Portfolio Manager for Prime Lipper Asset Management, New York. Luigi Santambrogio joined the Brederode group in 1995 and is currently a Co-Managing Director.

Mandates outside the group in listed companies: none

### **Axel van der Mersch, 46 years**

Positions within the group: managing director responsible for the day-to-day management of Brederode; member of the management body of several subsidiaries

Chartered Financial Analyst; Bachelor in Business Administration, European University. Axel van der Mersch joined the Brederode group in 1996 and is currently a Co-Managing Director.

Mandates outside the group in listed companies: none

### **Bruno Colmant, 55 years**

Positions within the group: non-executive and independent director

Main activities of Mr Bruno Colmant outside the Brederode group: Executive board member and head of macro research at Banque Degroof Petercam.

Bruno Colmant is a Management Engineer (Solvay Business School). He holds a Master in Tax Law (ESSF) and Business Administration (Purdue University) and a PhD in Applied Economic Sciences (Solvay Business School), CFA, FRM, etc. In the past Bruno Colmant has held several senior positions in the financial services sector: CEO of ING Luxembourg,

CFO of ING Belgium, principal private secretary to the Belgian Minister for Finance, CEO of Euronext Brussels, member of the executive committee of the New York Stock Exchange, and co-CEO of Ageas. In 2011 he joined the Roland Berger consulting firm as a partner and held this position until September 2015, whilst remaining academic advisor of the Ageas group. He is also a member of the Royal Academy of Belgium, gives lectures at several Belgian and Luxembourg universities, and has written many books on economic and tax matters.

Mandates outside the group in listed companies: none

### **Michel Delloye, 60 years**

Positions within the group: non-executive and independent director

Main activity outside the Brederode group: Equity investor – Entrepreneur, corporate director

Degree in law (UCL). After working for more than two years at Deloitte Haskins & Sells in Brussels, Michel Delloye was later Chief Financial Officer for the Groupe Bruxelles Lambert, President of The Lambert Brussels Capital Corporation in New York, General Manager of the Groupe Bruxelles Lambert in Brussels, Managing Director of RTL Group in Luxembourg, and President and CEO of Central European Media Enterprises in London.

Mandates outside the group in listed companies: none

## **3.2. Functioning of the Board of Directors and its Committee**

The company has a Board of Directors and an Audit, Governance and Risk Committee.

The Board of Directors and its Committee meet and operate in accordance with the Corporate Governance Charter.

During the financial year, the Board of Directors met three times. The attendance rate for directors at these meetings was 100%. The Audit, Governance and Risk Committee has met twice. The attendance rate for directors at these meetings was 100%. During the financial year, the directors did not enter into any transactions with the company or affiliated companies.

On 15 March 2017, the Audit, Governance and Risk Committee assessed the governance mechanisms as well as their functioning, efficiency and internal rules of procedure as contained in the Corporate Governance Charter. It declared itself satisfied on all these points. On the same day, the non-executive directors discussed their interaction with the executive directors and pronounced themselves to be satisfied.

### 3.3. Powers of the Board of Directors

The powers of the Board of Directors are determined by law and the Articles of Association.

Article 9 of the Articles of Association authorises it to purchase shares in the company in accordance with the legal provisions.

According to Articles 5 and 6 of the Articles of Association, the (unissued) authorised capital is set at €250 million. For a period of five years from when the act of the Extraordinary General Assembly of 14 May 2014 is published in the Mémorial C, Recueil des Sociétés et Associations, the Board of Directors is authorised to increase the subscribed capital one or more times (up to a maximum amount of EUR 432,713,909.08) by issuing shares up to the amount of the (unissued) authorised capital. Capital increases decided by the Board of Directors may be carried out on the dates and according to the conditions, including the issue price, that the Board of Directors or its representatives choose(s) at its (their) discretion by contributions in cash or in kind within the legal limits (where necessary, via the incorporation of available or unavailable reserves or share premiums, with or without the creation of new shares). In the case of cash subscriptions, the new shares are offered to shareholders in order of preference according to the number of securities that they hold. These capital increases may be subscribed and issued as shares with or without share premiums as determined by the Board of Directors.

### 3.4. Remuneration report

#### 1. Internal decision-making procedure regarding remuneration

All of Brederode's executive managers are directors of Brederode. The directors' remuneration policy is drawn up by the Board of Directors. The directors' total remuneration payable by the company is fixed by the General Assembly at the proposal of the Board of Directors. Each director's level of remuneration is fixed by the Board of Directors, subject to approval by the competent body of the company(ies) of the group paying the remuneration.

#### 2. Directors' remuneration policy during the financial year

##### a. Basic remuneration principles

The executive directors receive basic remuneration from the group, with no bonus or long-term profit-sharing plan. Non-executive directors' remuneration is not performance-linked; they receive neither benefits in kind nor pension-based benefits.

##### b. Relative weighting of the different remuneration components

This relative weighting can be seen in the table below. In all cases, basic remuneration represents more than 90% of total remuneration.

##### c. Characteristics of performance-based bonuses paid in shares, options or other rights to acquire shares

The company does not grant its directors any variable remuneration and does not award them shares, options, or any other rights to acquire shares.

##### d. Information regarding the remuneration policy for the next two financial years

The Board of Directors does not intend to modify its remuneration policy during the 2017 and 2018 financial years.



3. Amount of remuneration and other benefits granted to the Brederode directors by the company and its subsidiaries.

The gross remuneration paid to the directors by Brederode S.A. and its subsidiaries was increased in 2016 to (000€) 929.74 and is broken down as follows:

	(in 000€)	Remuneration basic	variable	Pension	Other components	Total
Executive Directors		860.60		5.60	44.04	910.24
Non-Executive Directors		19.50				19.50
Total		880.10		5.60	44.04	929.74

Gross remuneration or total cost, excluding social security contributions covered by the company or the group's companies (employer contributions). The other components comprise medical insurance, hospitality expenses and car allowance.

4. Performance evaluation criteria as regards the objectives and evaluation period, and description of the methods applied to verify whether or not the performance criteria have been met.

In the absence of variable remuneration, such evaluations are not necessary.

5. Recovery of variable remuneration

In the absence of variable remuneration, there is no reason to provide for the right for the company to recover variable remuneration in the event of erroneous financial data.

6. Severance pay

Any of the directors, including the executive directors, can be dismissed ad nutum and without severance pay, unless legal provisions to the contrary apply.

## 4. Key features of the internal control and risk management systems

### Preliminary remarks

There is no steering committee or specific internal auditor position. Given the size of the Brederode group and the targeted nature of its activities, risk management falls within the remit of the executive directors themselves. There is no reason to have an internal auditor given that the executive directors personally monitor all transactions carried out on behalf of the company.

Internal control functions are carried out by the executive directors on the one hand, and by the Audit, Governance and Risk Committee on the other hand, no members of which hold executive positions. The overall philosophy rests on each contributor adhering to the values of integrity, ethics and competence which form the basis of the group and its business approach.

### 4.1. Control environnement

The control environment is principally determined by the laws and regulations of the three countries in which the group's subsidiaries are based (Luxembourg, UK and Belgium) as well as by the articles of association of each of the concerned companies.

A single person handles the accounts for the different companies. One of the managing directors is responsible for the company's financial affairs.

### 4.2. Risk management process

The objectives regarding strategy, operations, and the reliability of both internal and external financial data are established by the executive directors and approved by the Board of Directors. The implementation of these objectives is periodically monitored by the Audit, Governance and Risk Committee.

### MARKET RISKS

#### a) Foreign exchange risk

Foreign exchange risk is the risk that a financial instrument will fluctuate in value due to changes in foreign exchange rates.

Exposure to foreign exchange risk is directly linked to the amounts invested in financial instruments held in currencies other than the euro and is influenced by the forex hedging strategy that the Brederode and its subsidiaries apply.

The hedging strategy is guided by a medium-term forecast of changes in foreign currencies relative to the euro.

Outstanding forward exchange transactions carried out to reduce foreign exchange risk are valued at the fair market value of these hedging instruments, and are recorded in the balance sheet under the heading "derivative instruments" of current financial assets (liabilities).

The effect of changes in the fair value of hedging instruments is found in the variation of the fair value of Brederode's direct subsidiary.

#### b) Interest rate risk

For financial assets, the risk of the fair value changing as a direct result of interest rate fluctuations is not significant given that almost all of the assets are equity instruments.

With regard to financial liabilities, the fair value risk is limited by the short duration of financial debt.

#### c) Other price risks

Price risk is the risk that a financial instrument will fluctuate in value due to changes in market prices.

##### i. Listed securities portfolio

For the listed securities portfolio, the risk of price fluctuations linked to market price variations is determined by the volatility of prices on the stock exchanges in which the group operates (Amsterdam, Brussels, Copenhagen,

Frankfurt, London, Madrid, Milan, New York, Oslo, Paris and Zurich).

The group's policy is to maintain a diverse portfolio in these markets, which have high liquidity and are generally less volatile than the so-called emerging markets. The price risk for listed assets is also reduced by maintaining both geographical and industry diversification. The breakdown by currency and markets of the listed securities portfolio is included in the annual report.

#### ii. Private Equity Portfolio

For the Private Equity portfolio, statistical and theoretical studies reach different conclusions as to whether or not the volatility of such holdings is greater than that of listed markets. Purchase and sale prices are clearly influenced by multiples such as EV/EBITDA that are found on the market for listed securities. To a large extent these similarities in the basis of valuations explain the significant correlation between price fluctuations on these two markets. Recent experience from the financial crisis that started in 2008 has confirmed the greater degree of stability in valuations in the Private Equity portfolio compared to that of the listed portfolio. The price risk related to unlisted securities is also reduced by the very high level of diversification maintained in the portfolio. A first level of diversification results from the large number of General Partners Brederode invest with. A second level of diversification is present within each Partnership which typically spreads its investments among fifteen to twenty separate projects. The geographical breakdown of the Private Equity portfolio is included in the annual financial report.

#### iii. Options on listed securities

The price risk is directly reflected in the price levels prevailing on the options markets. Increased volatility on the stock exchanges leads to increased option premiums. The price risk for this type of transaction is monitored on a daily basis and limited by the group's policy of only issuing call options (an agreement to sell for a certain price at a certain time) for stock that it holds in its portfolio.

#### iv. Sensitivity analysis of other price risks

##### a. Listed securities portfolio

The portfolio's value depends on stock price changes which, by definition, are difficult to forecast.

##### b. Private equity portfolio

The value of this portfolio may also be influenced by changes in valuations on the listed markets. This influence is however moderated by the following factors:

- the value creation objective is more long term,
- the manager is able to make faster and more effective decisions to mitigate a deteriorating situation,
- the interest of the managers is, in our opinion, better aligned than that of the investors.

A 5% change in valuation of the Private Equity and Listed Securities portfolios would lead to a change in their fair value to the tune of €83 million (€76 million in 2015).

### CREDIT RISK

This is defined as the risk that a counterparty to a financial instrument will default on their obligations, leading to the other party incurring a financial loss.

As an investor in listed shares, the main credit risk lies in the ability of our intermediaries to ensure the success of our purchase and sales transactions. In principle this risk is eliminated by the delivery versus payment settlement system.

For stock options, it rests with the Brederode group to demonstrate its creditworthiness, allowing it to operate as an issuer in an over-the-counter market reserved for institutional investors whose competence and solvency is recognised. As a writer of stock options, the credit risk for this type of transaction lies with our counterparties.

Bank deposits constitute the main credit risk run by our group. We constantly endeavour to verify the quality of our bankers

Securities deposits also run a credit risk although these securities are on principle always segregated from the assets of the financial institutions that are entrusted with guarding the listed securities portfolio.

In the context of the management of its listed securities portfolio, Brederode regularly lends a sizeable part of it to leading banks, in return for remuneration. The loan agreements also allow Brederode to gain access to credit facilities at favourable conditions. The credit risk associated with the securities lending activity is covered by a pledge, in favour of Brederode, of a portfolio of financial assets guaranteeing coverage of more than 100%. As at 31 December 2016 the market value of the securities lent by Brederode's subsidiaries amounted to €103 million and that of the portfolio of financial assets pledged in favour of these subsidiaries amounted to €108 million. The securities lent are still booked in the balance sheet of the subsidiaries in question at their fair value.

#### **LIQUIDITY RISK**

The liquidity risk is the risk that an entity encounters difficulties in raising the necessary funds to honour its commitments concerning financial instruments. One of the characteristics of private equity investment is that the investor does not have control over the liquidity of their investments. It is the manager alone who decides when to invest in or dispose of holdings. There is a secondary market for stakes in private equity funds but it is a narrow market and the selling process can prove relatively lengthy and costly. Changes in the group's uncalled capital commitments in private equity funds are permanently monitored in order to effectively manage cash flow.

As the listed securities portfolio is composed of highly liquid minority positions, it is able to absorb, where necessary, significant cash movements generated by the unlisted portfolio.

Management of the liquidity risk also takes account of the credit lines that the group has at its disposal, if needed, with its banks. Through its subsidiaries Brederode has access to a confirmed line of credit amounting to €50 million. This was not used in 2016. The group sees to it that it keep a level of financial debt that is lower than the confirmed credit lines.

#### **CASH FLOW INTEREST RATE RISK**

This relates to the risk of future cash flows being compromised further to variations in the market interest rate. This risk does not affect Brederode.

### **4.3. Control activities**

Ongoing control, virtually on a daily basis, is exercised by the executive directors who also sit on the management bodies of the main subsidiaries. The executive directors also meet at least once a month to carry out a detailed examination of the financial position, of the portfolio, valuation of the assets, general monitoring of activities, financing requirements, risk assessment, new commitments, etc. The fact that financial assets are always held through third-party banks, trustees, etc. means that the risks of internal negligence, error or fraud are greatly reduced.

### **4.4. Information, communication and oversight**

The reliability, availability and relevance of accounting and financial information is directly overseen first of all by the executive directors and later by the Audit, Governance and Risk Committee. Particular attention is paid to remarks or requests made not only by the supervisory authorities but also by shareholders and financial analysts, with a view to constantly improving the quality and relevance of the information. The computer systems are maintained and upgraded by contracted external service providers. The executive directors oversee the quality of these services and make sure that these service providers can be depended on to an acceptable degree. The security of computer systems is maximised by using the available technical processes: access rights, backups, antivirus software, etc. The executive directors prepare, check and distribute the information after having submitted it to the Board of Directors, the external legal adviser and, if necessary, the company auditor.

#### 4.5. External audit

Brederode has appointed an authorised company auditor, Mazars Luxembourg, a certified auditing firm with its registered office established at 10A Rue Henri M. Schnadt, 2530 Luxembourg, and listed in the Trade and Companies Register under number B 159.962. The firm is appointed for a term of three years, which comes to an end on May 14th, 2017. Mazars Luxembourg and Mr Amir CHAKROUN, who represents it, are members of the Institute of Company Auditors and are approved by the Committee for Supervision of the Financial Sector.

Luxembourg, 15 March 2017

For the Board of Directors  
Luigi Santambrogio & Axel van der Mersch