



BREDERODE

CORPORATE GOVERNANCE STATEMENT
FOR THE 2024 FINANCIAL YEAR

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1. Framework corporate governance charter

In 2024, Brederode complied with the «X Principles of Corporate Governance of the Luxembourg Stock Exchange, 5th edition revised, December 2017». On 30 May 2014, Brederode adopted a Corporate Governance Charter, last revised on 13 March 2025.

This version can be viewed online at www.brederode.eu. It highlights the areas where Brederode deviates from the recommendations of the X Principles, and the reason for these deviations.

2. Share ownership

2.1. Law on transparency obligations

On 2 November 2020, Brederode received a notification from the Stichting Administratiekantoor (STAK) Holdicam based on the Grand-Ducal Law and Regulation of 11 January 2008 on transparency requirements for issuers of securities.

In accordance with and at the date of this notification, the ultimate control of Brederode S.A. was still held by STAK Holdicam, which owned 100% of Holdicam S.A. The latter in turn held 58.18% of Brederode S.A.

At 31 December 2024, Geysers S.A., an indirect subsidiary of Brederode S.A., still held 4.11% of Brederode S.A.

2.2. General Meeting and rights of shareholders

The operating method and the powers of the General Meeting are those laid down by the Amended Law of 10 August 1915 on commercial companies and by the Articles of Association. The principal rights of the shareholders, and the procedures for exercising those rights, stem from the Amended Law of 24 May 2011 on the exercise of certain rights of shareholders at general meetings of listed companies and from the Articles of Association, and are highlighted in the invitations to the General Meetings.

The Brederode shares are ordinary shares which all enjoy the same rights. Each share gives an equal right to the dividends and to the sharing of the reserves in the event of liquidation or reduction of equity. Each share gives an equal right to vote at the general meetings of Brederode, which has not issued any shares with special control rights. Subject to the application of the legal provisions, there are no restrictions to the voting right, such as limitations of the voting right for holders of a certain percentage or a certain number of votes, nor any deadlines imposed for the exercise of a voting right, nor any systems whereby, with the cooperation of the company, the financial rights attached to the shares are separated from the holding of the shares.

The Articles of Association of the company may be amended by the Extraordinary General Meeting. Deliberations on this point are valid only if at least half of the capital is present or represented and if the agenda indicates the proposed amendments to the Articles of Association and, where appropriate, the text of amendments affecting the object or the form of the company. If the first of these conditions is not met, a second Meeting may be convened, as stipulated in the Articles of Association or by law. The invitation to this meeting includes the agenda, indicating the date and the outcome of the previous Meeting. The deliberations of the second Meeting will be valid whatever proportion of the capital is represented. At both Meetings, the resolutions, in order to be valid, must be adopted by a majority of two thirds of the shareholders present or represented. The nationality of the company may not be changed and any increase or decrease in the commitments of the shareholders may be decided only with the unanimous agreement of the shareholders and subject to compliance with any other legal provision.

3. Composition and operation of the organs of Administration and their Committees

3.1. Composition of the Board of Directors and their Committees

Board of Directors

- Bruno Colmant, independent non-executive Chairman
- Luigi Santambrogio, Managing Director
- Nicolas Louis Pinon, Executive Director and CFO
- René Beltjens, independent Director
- Axel van der Mersch, non-executive Director
- Pierre van der Mersch, Honorary President (from 9 May 2024), Executive Vice-President (from 1 January to 8 May 2024)

Mr Beltjens is a member of the Supervisory Board of Alter Domus, with which Brederode has contractual relations. However, he no longer has an operational role in that company. Alter Domus performs the role of depositary and administrative agent for Brederode International, but that does not make Alter Domus an important service provider of the company, particularly in view of the amounts paid in remuneration for these services and the possibility of replacing Alter Domus with another supplier. Thus, Alter Domus does not have any significant business relationship with Brederode within the meaning of the Governance Charter, and the role of Mr René Beltjens within that company does not prevent him being considered an independent Director of Brederode. Mr René Beltjens also meets the other independence criteria laid down in the Governance Charter. These considerations were adopted by the Board of Directors at its meeting of 4 March 2022 and confirmed by the General Meeting of 11 May 2022.

Mr Colmant is Director of Unibra, I-Care, NewTree and Foundation against Cancer. From March 2025, he is Director of the bank Nagelmackers, with which Brederode has no contractual relationship.

Mr Bruno Colmant has been an independent director of Brederode for more than 12 years, if one includes the period during which he was an independent director of the Belgian Brederode company, which has now been dissolved. If one considers solely the current Luxembourg Brederode company, the maximum period of 12 years will be reached before the end of his current Director mandate. The Board of Directors is of the view that these circumstances are not such as to deprive Mr Bruno Colmant of the capacity of independent director. His presence on the governing bodies of the company in recent years has not created such proximity with the other directors or with the controlling shareholder as to reduce his independence. During meetings of the Board of Directors and of the Audit, Governance and Risk Committee, Mr Colmant has always demonstrated great independence of mind and has taken a critical attitude towards the other directors and management. In the opinion of the Board of Directors, there is nothing to suggest that this independence of judgement would be diminished during his current mandate.

When choosing Directors, Brederode considers competence criteria (particularly in financial, accounting and audit matters) and diversity criteria (notably with a view to ensuring complementarity in terms of profile and experience).

Executive management

- Luigi Santambrogio
- Pierre van der Mersch, from 1 January 2024 to 8 May 2024
- Nicolas-Louis Pinon

Audit, Governance and Risk Committee

- Bruno Colmant, chairman
- René Beltjens

All the members of the Audit, Governance and Risk Committee have performed high-level roles in various economic sectors for many years. Their accounting and audit skills are unquestionable.

Appointment and Remuneration Committee (created 3 June 2024)

- René Beltjens, chairman
- Bruno Colmant
- Axel van der Mersch

Given the size of Brederode and the specific nature of its activities, it has not deemed it appropriate to create a CSR committee. The responsibilities conferred on the CSR committee by the X Principles are assumed directly by the Board of Directors as a whole. On 13 March 2025, the Board of Directors reviewed this decision and confirmed that the creation of a CSR committee was not appropriate.

The Board of Directors considers that, given the current composition of the Board of Directors, Bruno Colmant can combine the functions of Chairman of the Board of Directors and Chairman of the Audit, Governance and Risk Committee. Combining functions in this way does not represent a risk for the independence of the committee or for its proper functioning. In due course, however, when the composition of the Board of Directors permits, the functions of chairman of the board and chairman of the committee will no longer be assigned to the same person.

Pierre van der Mersch, aged 90

Positions in the group: Vice-President from 1 January 2024 to 8 May 2024; member of the management body of several subsidiaries.

Honorary President from 9 May 2024.

Degree in commercial and financial science (UCL); Special degree in the organisation and management of private companies (UCL); Graduate of Harvard Business School (ISMP).

Former Managing Director of First National City Bank and of Barclays Bank International in Brussels; former Managing Director of FNCB Eurosecurities in Brussels and of First National City Bank Luxembourg; former Director of several companies listed on the Brussels stock exchange and the London stock exchange. President of the Brederode Group since 1976 and CEO from 1981 to 2006.

Positions outside the group in listed companies: none.

Luigi Santambrogio, aged 64

Positions in the group: Managing Director for the daily management of Brederode; member of the management body of the subsidiaries.

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

Positions outside the group in listed companies: none.

Nicolas-Louis Pinon, aged 42

Positions in the group: Director and Finance Director of the Brederode Group; member of the management body of the subsidiaries.

Nicolas-Louis Pinon holds a Master's degree from the Ecole Supérieure de Commerce de Reims, and is a Certified Account (Luxembourg) and a CIA (Certified Internal Auditor). In the past, he has held several positions in the financial services sector: Audit Junior to Manager at Deloitte Luxembourg, head of internal audit at the Alter Domus group, head of internal audit Europe at Interactive Brokers, then Managing Director of Interactive Brokers Luxembourg and Chief Risk Officer of Interactive Brokers UK. He has been Finance Director of the Brederode group since October 2022.

Positions with listed companies (other than Brederode): none.

Other positions: none.

Axel van der Mersch, aged 54

Positions in the group: Non-executive Director.

Chartered Financial Analyst; Bachelor's degree in Business Administration, European University. Alex van der Mersch joined the Brederode Group in 1996 and was co-Managing Director of Brederode until 31 December 2022.

Positions outside the group in listed companies: none.

Bruno Colmant, aged 63

Positions in the group: Non-executive Chairman of the Board of Directors

Principal activity outside the Brederode Group: Director of Unibra, I-Care, NewTree and Foundation against Cancer.

Bruno Colmant is a Commercial Engineer (Solvay Business School), and holds a Master's degree in fiscal law (ESSF) and in Business Administration (Purdue University), and, a PhD in applied economic sciences (Solvay Business School), CFA, FRM, etc. He has held management positions at ING, AGEAS, Degroof Petercam and the Brussels Stock Exchange, where he was President, and is a member of the management committee at the New York Stock Exchange. He teaches at various universities (ULB, UCLouvain, Vlerick Business School, ICHEC and Saint-Louis) and is a company director.

He is a member of the *Académie Royale de Belgique* [Royal Academy of Belgium] He has published nearly 90 works.

Positions outside the group in listed companies: none.

René Beltjens, aged 63

Positions in the group: independent non-executive director of Brederode.

Principal activity outside the Brederode Group: Chairman of the Supervisory Board of the Alter Domus Group umbrella company.

Law degree (Catholic University of Leuven), MBA in Finance (Catholic University of Leuven), Master's degree in Tax Law (ICHEG-ESSF) and Chartered Accountant (Luxembourg). Between 1989 and 2008, he worked at Coopers & Lybrand Belgium and Luxembourg (which later became PricewaterhouseCoopers Luxembourg) as an employee, a Tax Partner and later a Tax Leader, and a member of the Executive Committee. From 2008 to date, he was first a member of the Executive Committee and then a member and Chairman of the Supervisory Board of Alter Domus, a world leader in services to companies and to alternative investment funds.

Positions outside the group in listed companies: none.

3.2. Operation of the Board of Directors and its Committees

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

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

During 2024, the Board of Directors met four times. The attendance rate of the Directors at these meetings was 100%. The Audit, Governance and Risk Committee met twice with a 100% attendance rate. The Appointment and Remuneration Committee met once with a 100% attendance rate. During the financial year, the Directors did not conclude any transactions with the company or with associated companies.

On 13 March 2025, the Audit, Governance and Risk Committee assessed the governance mechanisms, and its operation, effectiveness and internal regulations, which appear in the Corporate Governance Charter. It declared itself satisfied on all these points.

3.3. Powers of the Board of directors

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

3.4. Remuneration report

1. Internal procedure for adopting remuneration decisions

The Directors' remuneration policy is drawn up by the Board of Directors.

The remuneration policy is subject to an advisory vote of the Brederode shareholders at the General Meeting. Brederode remunerates its Directors only in accordance with a remuneration policy which has been put to such a vote at the General Meeting.

Brederode submits its remuneration policy to a vote of the General Meeting each time there is a major amendment and, in any event, at least every four years. If the General Meeting rejects the proposed remuneration policy, Brederode submits a revised policy to a vote at the following General Meeting.

The Brederode remuneration policy can be viewed at any time on the Brederode website, as adopted by the Board of directors on 11 March 2024 and approved by an advisory vote of the General Meeting of 8 May 2024.

The total amount of Directors' remuneration to be paid by the company is set by the General Meeting based on a proposal of the Board of Directors. The remuneration level of each Director is set by the Board of Directors, subject to the consent of the competent body of the company(ies) in the group that pay(s) the remuneration.

2. Directors' remuneration policy during the financial year

a. Remuneration

The remuneration of the non-executive Directors is not linked to performance; they do not receive any benefits in kind.

The remuneration of the executive Directors may include a variable element within the framework laid down by the Brederode remuneration policy, which is available on the company's website.

In all cases, the base remuneration represents more than 30% of the total remuneration.

The gross Directors' remuneration paid by Brederode S.A. and its subsidiaries totalled €1.0 million in 2024 (compared to €1.04 million in 2023), broken down as follows:

(in €)	Remuneration		Pension	Other components	Total
	basic	variable			
Executive directors					
P. van der Mersch	141 667			7 290	148 956
L. Santambrogio	507 289			22 082	529 370
N.-L. Pinon	215 370	20 000	1 471	1 659	238 499
	864 325	20 000	1 471	31 031	916 826
Non-executive directors					
B. Colmant	31 000				31 000
R. Beltjens	26 000				26 000
A. van der Mersch	23 000				23 000
	80 000				80 000
Total	944 325	20 000	1 471	31 031	996 826

The Board of Directors considers that the Directors' remuneration structure favours the long-term interests of Brederode.

b. Annual movement in remuneration

	2024	2023	2022	2021	2020
Executives (total in euro)	913 697	987 487	1 193 510	1 164 693	1 005 414
Executives (individual average in euro)	304 566	329 162	397 837	388 231	335 138
Employees (average in euro)	183 694	165 237	166 414	160 701	135 364
Result (in millions of euro)	413	234	-73	1 036	262

The Board of Directors regularly reassesses the remuneration policy with a view to possible revision

c. Grant of shares, options or other rights to acquire shares

The Company does not grant to its Directors or management team any shares, options or other rights to acquire shares.

d. Compliance with the remuneration policy

The remuneration awarded during the financial year is fully compliant with Brederode's remuneration policy.

e. Severance pay

All the Directors, including the Executive Directors, can be dismissed instantly, without severance pay, subject to the application of any legal provisions in the matter.

4. Corporate, social and environmental responsibility (CSR)

In 2024, Brederode fully and consistently applied the principles set out in its Corporate Governance Charter regarding sustainability.

4.1. Private Equity

New commitments

The due diligence carried out on the new funds this year included a review of the sustainability policies of the General Partners. These were deemed at least acceptable.

In 2024:

- 100% of the Private Equity commitments were made with General Partners which had adopted a sustainability policy;
- For each commitment, Brederode received a covering letter confirming the ban on certain types of investments that did not comply with its sustainability policies¹;
- For funds domiciled in the European Union, two thirds of the commitments were made in eligible businesses under Article 8 of the Regulation on sustainability-related disclosures in the financial services sector (Sustainable Finance Disclosure Regulation or "SFDR").

¹ Brederode precludes investment in nuclear, chemical and biological weapons, cluster bombs, conflict diamonds, human trafficking, child labour and illegal drugs, does not participate in tax fraud, and does not invest in countries identified as 'high-risk' by the Financial Action Task Force (FATF).

Existing investments

A review of all the General Partners with which Brederode has active relations² was carried out: this review confirmed that they had all adopted a sustainability policy. Given that the reporting formats vary considerably from one company and from one region to another, it is difficult to provide comprehensive consolidated data for the entire Private Equity portfolio. Nevertheless, overall, the review of the policies and other documents provided by the General Partners produced the following data points associated with sustainable development:

	POL (1)	REP (2)	REF.UNPRI (3)	SIGN.UNPRI (4)	ESG DCI (5)	SBT (6)
United States	100%	67%	59%	30%	30%	15%
Europe	100%	100%	100%	92%	83%	92%
Asia Pacific	100%	100%	100%	100%		50%
Total	100%	78%	73%	51%	44%	39%

The above table provides aggregated data on Brederode's Private Equity portfolio for all the active relationships, broken down by General Partner domicile. The column headings are explained as follows:

1. Policy: the General Partner has a sustainability, ESG (Environmental, Social and Governance) or responsible investment policy;
2. Report: in addition to this policy, the General Partner provides regular reports on sustainability matters applicable to its portfolio;
3. Reference to the UN PRI: the General Partner refers to the Principles for Responsible Investment of the United Nations ("UN PRI") in its sustainability frame of reference;
4. Signatory to the UN PRI: the General Partner has formally signed the UN PRI;
5. ESG data convergence initiative: the General Partner participates in the initiative run by the Institutional Limited Partners Association ("ILPA") which aims to collect and standardise ESG data;
6. Use of SBT: the General Partner encourages one or more companies in its portfolio to adopt science-based targets regarding climate issues.

In principle, the further right the column is in the table, the stricter the sustainability criteria. The European General Partners are more advanced in terms of sustainability than their American counterparts, but, on the whole, the results are fairly encouraging and sustainability is a priority for the vast majority of the active General Partners. Brederode has set itself the objective of encouraging these companies to pursue their initiatives in the field of sustainability.

Brederode is reviewing several so-called "green" funds (for instance, the Article 9 SFDR funds), whose objective is to have a profound positive impact on environmental matters. Concerning a new sub-sector of the Private Equity industry, in line with Brederode's customary prudent approach, we are currently in a data-collection phase: these companies are in their infancy and it is difficult to assess them based on short or non-existent track records, with recently formed teams.

² In other words, where Brederode has subscribed to the most recent fund (these active relationships represent around 85% of the net value of the Private Equity investment portfolio).

Concerning social and societal impacts, we can see some positive trends developing across the entire Private Equity sector. In particular, we note a recent increase in the proportion of General Partners extending their share ownership to a very large proportion, and sometimes all, of the employees in the acquired companies. We also note the emphasis placed on diversity, equity and inclusion, particularly among the General Partners based in the United States. Moreover, out of a concern for job-related problems in companies supported by Private Equity funds, we especially encourage the General Partners to determine and report on the global net creation of jobs in their companies during the investment period.

Regarding governance, the General Partners place significant emphasis on best practices in their companies, since governance is recognised as a key performance and risk mitigation factor. For example, conflicts of interest are generally well controlled and the gender balance within boards of directors is increasing. In fact, alignment of interests between the General Partners, the companies in which they invest, the Limited Partners such as Brederode and the other interested parties such as employees and regulators is essential for generating the strong returns we seek. Good governance is an essential element of successful alignment of interests.

Nevertheless, there is still room for improvement in these areas, and Brederode will continue to defend best practices during our meetings and discussions with the General Partners.

4.2. Listed companies

The companies in the listed securities portfolio are all large multinationals with strong sustainability policies. Brederode does not seek to exclude certain types of investments, but tries instead to ensure that, for each investment, the company sees an improvement in its sustainability level.

In addition, Brederode has adopted an active approach by withdrawing completely from the large oil and gas companies several years ago, and by supporting Iberdrola since 2005, starting from the premise (still effective today) that investing in the energy transition would be a key performance factor. In recent years, we have added Enel to our portfolio for the same reason. These two companies are generally regarded as being among the most important and the most effective investors in the energy transition field.

Based on a third-party assessment, the 16 companies³ present in the portfolio at the end of 2024 are considered leaders in sustainable development compared to their peers. Half of these companies are ahead of their peers in the three categories simultaneously, which demonstrates the highly sustainable nature of the portfolio overall.

	Environment	Social	Governance
Leader	15	11	14
Above average		5	1
Below average	1		1
Last quartile			

³ Excluding Brederode itself.

Identifying the two companies whose performance remains below average means that we monitor their handling of these issues very closely, in order to determine whether, over time, they succeed in rectifying these weaknesses. If they fail to do so, these considerations will be taken into account in future investment and disinvestment decisions.

4.3. Internal organisation

Concerning the organisation of Brederode itself, its reduced size and the emphasis placed on efficiency guarantee that any negative impact on the environment is very limited.

Business trips, if they are absolutely necessary for the management of the Private Equity portfolio, are optimised to ensure maximum impact by combining, in time and place, as many meetings as it is possible to organise.

The use of paper has also been significantly reduced in recent years, since the voluminous legal documents associated with fund commitments and most of the group's internal documentation are now digitised.

4.4. Sustainability objectives

Brederode's sustainable development objectives for 2025 focus on the Private Equity portfolio, which represents around two thirds of the group's assets. These objectives involve, firstly, encouraging the General Partners who do not provide sustainable development reports to publish one, and, secondly, pursuing the collection of data on net job creation in the businesses and companies supported by the Private Equity Funds in which we invest.

5. Characteristic principles of the internal control and risk management systems

PRELIMINARY REMARKS

There is no executive committee or specific internal auditor position. Given the size of the Brederode group and the targeted nature of its activities, risk management is assigned to the executive directors themselves. The role internal auditor is not needed, given the proximity of the executive directors who personally monitor the operations carried out on the company's behalf.

The internal control functions are provided, firstly, by the executive directors and, secondly, by the Audit, Governance and Risk Committee, none of whose members have an executive role. The overall philosophy is based on values of integrity, ethics and competence required from each participant, which underpin the group and its mode of operation.

5.1. Control environment

The control environment is determined primarily by the laws and regulations of the two countries in which the group has subsidiaries (Luxembourg and Great Britain) and by the Articles of Association of each of the companies concerned.

The accounts of the various companies are kept internally by a single person. In parallel, Alter Domus Alternative Asset Fund Administration S.à r.l. acts as Central Administrative Agent for the Brederode International S.à r.l. SICAR subsidiary. In that regard, it monitors the accounting and the valuation activities for the Private Equity portfolio. The financial management is overseen by an executive director.

5.2. Risk management policy

The strategic and operational objectives and the reliability objectives for the internal and external financial information are defined by the Executive Directors and approved by the Board of Directors. The implementation of these objectives through the various subsidiaries is monitored periodically by the Audit, Governance and Risk Committee.

MARKET RISKS

a) Exchange risk

Exchange risk is defined as the risk that the value of a financial instrument will fluctuate on account of variations in the foreign currency rates.

Exposure to exchange risk is directly linked to the amounts invested in financial instruments denominated in currencies other than the euro and is influenced by the hedging policy applied by Brederode and its subsidiaries.

Outstanding currency forwards made for the purpose of reducing exchange risks is, where necessary, measured at the fair value of these hedging instruments, and can be seen in the balance sheet under the "derivative instruments" heading of the current financial assets (liabilities).

The effect of changes in the fair value of hedging instruments can be found, where appropriate, in the change in fair value for Brederode's direct subsidiary.

b) Interest rate risk

In terms of financial assets, the risk of change in fair value linked directly to the interest rate is not significant given that almost all of the assets are equity instruments.

In terms of financial liabilities, the fair value risk is limited by the short duration of the financial debts.

c) Other price risks

The price risk is defined as the risk that the value of a financial instrument will fluctuate on account of variations in market prices.

i. Portfolio of listed securities

For the portfolio of listed securities, the risk of price fluctuation linked to variations in market prices is determined by the price volatility on the stock markets in which the group is active.

The group's policy is to maintain diversification across these markets which have great liquidity and demonstrate generally lower volatility than that of the so-called emerging markets. The price risk linked to listed assets is also reduced thanks to the diversification of the portfolio, both geographic and at sector level. The movement in the distribution of the portfolio of listed securities by currency is set out in the annual report.

ii. Private Equity Portfolio

Regarding the Private Equity portfolio, the statistical studies and theories diverge as to whether its volatility is greater or less than that of the listed markets. In the sale and purchase transactions, the prices used are clearly influenced by the EV/EBITDA multiples seen on the listed stock markets. These similarities in the valuation bases explain in part a certain correlation between the price fluctuations on these two markets. The experience of the financial crisis in 2008 confirmed the greater stability of the valuations in the Private Equity portfolio compared with those in the portfolio of listed securities. The price risk linked to the Private Equity portfolio is also lessened by its particularly high degree of diversification. An initial level of diversification takes place through the large number of General Partners with which Brederode is invested with. A second level of diversification relates to each Fund, which ordinarily distributes its investments between fifteen and twenty separate projects. The movement in the geographic distribution of the Private Equity Portfolio is set out in the annual report.

iii. Equity options

The price risk is reflected directly in the price levels shown on the equity options markets. Increased volatility on the equity markets will be reflected in higher option premiums. The price risk associated with this type of operation is monitored on a daily basis.

iv. Analysis of sensitivity to other price risks

a. Portfolio of listed securities

The value of the portfolio depends on the movement in stock market rates, which is, by definition, hard to predict.

b. Private Equity Portfolio

The value of this portfolio can also be influenced by the variations in the valuations seen on the stock markets. This influence is, however, tempered by the following factors:

- the value creation objective for this portfolio is longer term,
- the manager is able to take quicker and more effective decisions to rectify a deteriorating situation.
- the managers' interest is, in our view, better aligned with the investors' interest.

CREDIT RISK

This is defined as the risk that a counterparty to a financial instrument will fail to meet its obligations and, as a result, cause the other party to suffer a financial loss.

As an investor in listed shares, the essential credit risk lies in the capacity of our intermediaries to ensure proper completion of our purchase or sale transactions. This risk is, in principle, eliminated by the “delivery versus payment” setup.

For equity options, it is the responsibility of the Brederode Group to demonstrate its capacity as potential debtor, which allows it to operate as issuer in an over-the-counter market restricted to institutions whose competence and solvency are recognised. As issuer of equity options, the credit risk on this type of transaction is assumed by our counterparties.

The bank deposits constitute the main credit risk incurred by our group. We continuously strive to check the quality of our bankers.

The custody of securities also carry a credit risk, even if these securities are, in principle, always segregated from the owned assets of the financial institutions to which the safekeeping of the portfolio of listed securities is assigned.

LIQUIDITY RISK

The liquidity or financing risk is defined as the risk that an entity may experience difficulties in raising the funds required to honour its commitments. A characteristic of Private Equity investment is that the investor does not control the liquidity of the investments. It is the manager alone who decides on an investment or a divestment. There is a secondary market for holdings in Private Equity funds, but it is restricted and the sale process may prove relatively long and costly. The movement in the group’s uncalled commitments in respect of Private Equity funds is monitored constantly to enable optimal management of cash flows.

Since the portfolio of listed securities is made up of minority positions with high liquidity, it can, where appropriate, absorb significant cash flows generated by the Private Equity portfolio.

Liquidity risk management also includes the banking credit lines whose access is facilitated and conditions improved through the existence of a substantial portfolio of listed securities. The group ensures that its level of financial debt is kept below the confirmed credit lines.

CASH FLOW RISK ON INTEREST RATE

This is the risk that future cash flows may be compromised as a result of variations in market interest rates. This risk does not affect Brederode.

5.3. Control activities

Continuous, almost daily, control is carried out by the Executive Directors who also sit on the management bodies of the main subsidiaries. In addition, the Executive Directors meet with the management team at least once a month to conduct a detailed examination of the financial position, portfolio, asset valuation, general monitoring of activities, financing requirements, risk assessment, new commitments, and so on. Since financial assets are always held by third-party bankers, trustees, etc., the risks of negligence, error or internal fraud are significantly reduced.

On 1 January 2019, the subsidiary Brederode International S.à r.l., which holds the group's Private Equity portfolio, was transformed into a Société d'Investissement à Capital à Risque [venture capital investment company] (SICAR), and as such is supervised directly by the Commission de Surveillance du Secteur Financier [Financial Sector Supervisory Commission] (CSSF). The subsidiary in question uses the services of Alter Domus Depositary Services S.à r.l., which acts as a professional depositary of securities other than financial instruments. Alter Domus Alternative Asset Fund Administration S.à r.l. acts as Central Administrative Agent for the Brederode International S.à r.l. SICAR subsidiary. Since the accounts are also handled internally, Alter Domus' engagement strengthens the control activities.

5.4. Information, communication and monitoring

The reliability, availability and relevance of the accounting and financial information are managed directly by the Executive Directors initially, and then by the Audit, Governance and Risk Committee. Particular emphasis is placed on the comments or requests expressed not only by the control authorities but also by the shareholders and the financial analysts, with a view to continually adapting the quality and relevance of the information. The maintenance and changes to the IT systems are assigned to external IT service providers under contract. The Executive Directors monitor the quality of the services thus provided and ensure that the degree of dependence in relation to these providers remains acceptable. The security of the IT systems is maximised by using the technical procedures available in this regard: access rights, back-up, antivirus, team training, etc. The Executive Directors prepare, verify and ensure the distribution of the information, after submitting it to the Board of Directors, the external legal counsel, and, where appropriate, the Auditor.

5.5. External control

Brederode has appointed an accredited company auditor in the person of Forvis Mazars, Cabinet de révision agréé [approved firm of auditors], whose registered office is at 1882 Luxembourg, 5, rue Guillaume J. Kroll, and which is registered in the Registre de Commerce et des Sociétés [Trade and Companies' Register] under number B 159.962. Forvis Mazars and its representative, Mr Guillaume Brousse, are members of the Institut des Réviseurs d'Entreprises [Institute of Company Auditors] and are authorised by the Commission de Surveillance du Secteur Financier [Luxembourg supervisory authority for the financial sector].

For the Board of Directors

Luigi Santambrogio, Managing Director

Nicolas-Louis Pinon, Executive Director, CFO

The Declaration of Governance in French constitutes the original text.

A translation exists in Dutch and in English.

In the event of a difference in interpretation between the different versions, the French text will prevail.

BREDERODE

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