



BREDERODE

CORPORATE GOVERNANCE STATEMENT  
FOR THE FINANCIAL YEAR 2021



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## 1. Corporate governance charter

Brederode complies with the “X Principles of corporate governance of the Luxembourg Stock Exchange, 4th revised edition”. On 30 May 2014, Brederode adopted a Corporate governance charter, last revised on 13 March

2018. The revised version is available for consultation on the website [www.brederode.eu](http://www.brederode.eu). It indicates the points where Brederode diverges from the recommendations of the X Principles, and the reason for the divergence.

## 2. Shareholders

### 2.1. Law governing transparency obligations

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

As at the date of this notification, the ultimate beneficial owner of Brederode S.A. continued to be STAK Holdicam, which held 100% of Holdicam S.A. The latter in turn held a 58.18% share in Brederode S.A.

As at 31 December 2021, Geyser S.A., an indirect subsidiary of Brederode S.A., still held 4.11% of Brederode S.A.

### 2.2. General Meeting and shareholder rights

The General Meeting operates and exercises its power in accordance with the amended Law of 10 August 1915 governing commercial companies and with the Articles of Association. The amended 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 (2026)
- Luigi Santambrogio, Managing Director (2026)
- Axel van der Mersch, Managing Director (2026)
- René Beltjens<sup>(1)</sup> (2022)
- Bruno Colmant<sup>(1)</sup> (2023)

<sup>(1)</sup> Independent Director

Mr Beltjens is a member of the Supervisory Board of alterDomus, with which Brederode maintains contractual relations. However, he no longer fulfils any operational functions at that company. alterDomus serves as depositary and administrative agent for Brederode International, but this does not make alterDomus a significant service provider to the company in terms, notably, of the amounts paid in respect of those services, and of the possibility of replacing alterDomus with another provider. Thus, alterDomus does not engage in any significant business relations with Brederode within the meaning of the Corporate Governance Charter, and the position of Mr René Beltjens at alterDomus 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 11 March 2019 and confirmed by the General Meeting of 8 May 2019.

Mr Colmant is director of the Degroof Petercam bank, with which Brederode maintains contractual relations. Degroof Petercam is not, however, part of the main bankers who are custodians of the assets and manage the group's operations. Moreover, Mr Colmant is not involved in any way in the management of client portfolios, and in particular not of Brederode clients. Thus, the Degroof Petercam bank does not engage in any significant business relations with Brederode within the meaning of the Corporate Governance Charter, and the directorial mandate of Mr Colmant at that bank does not prevent him being considered an independent director of Brederode. These considerations were adopted by the Board of Directors at its meeting of 10 March 2020 and confirmed by the General Meeting of 13 May 2020.

As regards the choice of directors, Brederode takes into account the criteria of competence (in particular in financial, accounting and audit areas) and of diversity (notably with a view to ensuring complementarity in profiles and types of experience).

### Executive management

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

### Governance and Risk Committee

- Bruno Colmant
- René Beltjens

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 specificity of its activities, it has not been considered appropriate to create a nomination, remuneration or ESG committees, The responsibilities that the X Principles entrust to the latter committees are taken on directly by the Board of Directors as a whole. On 11 March 2019, the Board of Directors reviewed this decision and confirmed that the creation of a committee tasked with nominations, remuneration or CSR is not opportune.

### Pierre van der Mersch, 87 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, 61 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 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, 51 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, 60 years

Positions within the group: non-executive and independent director

Principal activity outside the Brederode group: Group Head of Private Banking of the Degroof Petercam bank

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 Degroof Petercam, 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, co-CEO of Ageas and Partner of the Roland Berger consultancy firm. 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.

### **René Beltjens, 60 years**

Functions within the group: independent non-executive director of Brederode.

Principal activity outside the Brederode group: Chairman of the Supervisory Board of the alterDomus Group umbrella company.

Degree (BA/MA) in Law (Catholic University of Leuven), MBA in Finance (Catholic University of Leuven), Master in Tax Law (ICHEC-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 until today, he was first a member of the Executive Committee and then a member of the Supervisory Board of alterDomus, a world leader in services to companies and to alternative investment funds.

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 fourth times. The attendance rate for directors at these meetings was 100%. The Audit, Governance and Risk Committee has met three times. 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 4 March 2022, 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.

## **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 Articulation authorises it to purchase shares in the company in accordance with the legal provisions.

## **3.4. Remuneration report**

### **1. Internal procedure for adopting decisions on remuneration**

All Brederode executives are directors of the company. The directors' remuneration policy is drawn up by the Board of Directors.

The remuneration policy is subject to the consultative vote of Brederode shareholders during the general meeting. Brederode pays its directors only in accordance with a remuneration policy that has been put to such a vote during the general meeting.

Brederode puts its remuneration policy to a vote at the general meeting during each major amendments and, in any case, 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 assembly.

Brederode's remuneration policy can be consulted at any time on Brederode's website (annex to the minutes of the general meeting of 13 May 2020).

The total amount of remuneration of directors, borne by the company, is set by the general meeting based on the 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 (companies) of the group that pay(s) the remuneration.



## 2. Remuneration and other benefits granted to Brederode's directors by the Company and its subsidiaries

### a. Remuneration

The executive directors within the group receive a basic remuneration, without bonuses or long-term inducement formula. The non-executive directors' remuneration is not linked to performance; they do not receive any benefits in

kind. The base remuneration represents, in any case, more than 90% of the total remuneration.

The gross remuneration of directors paid by Brederode S.A. and its subsidiaries amounted to (€ 1.18 million in 2021 (as compared to €1.03 million in 2020)), broken down as follows:

(in €)	Remuneration		Pension	Other components	Total
	basic	variable			
Executive directors					
P. van der Mersch	278.040			15.103	293.143
L. Santambrogio	493.596			15.091	508.687
A. van der Mersch	328.822		8.544	24.427	361.793
Non-executive directors					
B. Colmant	10.500				10.500
R. Beltjens	10.500				10.500
<b>Total</b>	<b>1.121.458</b>	<b>0</b>	<b>8.544</b>	<b>54.622</b>	<b>1.184.624</b>

The Board of Directors considers that the Directors' remuneration structure favours the long-term interests of Brederode, ensuring that this remuneration does not depend on stock market fluctuations, which result largely

from macroeconomic circumstances beyond the control of Brederode and its directors.

In the absence of variable remuneration, no performance-related criteria have been applied.

### b. Annual changes in remuneration

(in €)	2021	2020	2019	2018	2017
Executives (total in euros)	1.163.624	1.005.414	942.496	944.165	933.066
Executives (individual average in euros)	387.875	335.138	314.165	314.722	311.022
Employees (average in euros)	160.701	135.364	131.427	126.762	121.578
Result (in million of euros)	1.036	262	458	182	170

The Board of Directors does not plan to change its remuneration policy during the 2022 financial year.

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

The Company does not pay its directors any variable remuneration and does not grant shares, options or any other rights to acquire shares.

### d. Restoration of variable remuneration

In the absence of variable remuneration, there is no need to provide a right to restoration of variable remuneration in favour of the company.

**e. Compliance with the remuneration policy**

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

**f. 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.

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## 4. Environmental, Social and Corporate responsibility

Brederode does not engage in any industrial or commercial activity and thus does not generate sales revenues. It has opted to invest as a minority shareholder without being involved in the management of the companies it invests in.

Brederode's investment policy does, however, take into account the ESG policy of those companies. In regards to the listed companies, Brederode ensures that they develop an ESG policy that is appropriate to their sector of activity, and that they publish these in compliance with the applicable legislation, the rules of good governance or the habitual practices in this area.

In regards to investments in the Private Equity portfolio, Brederode's ESG policy is based on that implemented by

the General partners. All those with whom Brederode works have an explicit, published policy in this area and in turn encourage the companies they control to adopt a dynamic ESG policy. Most of the time these are based on the standards developed at a global level, such as the Principles for Responsible Investment ([www.unpri.org](http://www.unpri.org)). The ESG dimension is examined specifically in the course of the due diligence process that Brederode carries out before taking any private equity investment decision.

For the 2021 financial year, Brederode confirms that all fund managers of the Private Equity and the Listed Securities portfolios in which the group invested have developed a pro-active CSR policy.

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## 5. 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.

**5.1. Control environment**

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.

## 5.2. 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 (Brussels, London, New York, Zurich, Amsterdam, Paris, Madrid, Milan and Toronto).

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 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 over 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.

## 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.

## 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 is able to draw on a confirmed line of credit for an amount of € 300 million (as compared to € 200 million at the end of 2020). The group is ensuring that its level of financial debt is kept to the confirmed lines of credit.

## 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.

### 5.3. 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.

The accounts of the various companies are kept internally by the same person. At the same time, Alter Domus Alternative Asset Fund Administration S.à.r.l. acts as Central Administrative Agent for the subsidiary Brederode International S.à r.l. SICAR. As such, it is responsible for the accounts and the valuation of the Private Equity portfolio.

### 5.4. 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.

### 5.5. External audit

Brederode has appointed an authorised company auditor, Mazars Luxembourg, a certified auditing firm with its registered office established at 1882 Luxembourg, 5, rue Guillaume J.Kroll, and listed in the Trade and Companies Register under number B 159.962. The firm is appointed for a term of four years, which comes at the end on the 2024 General Meeting. 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.

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





**BREDERODE**

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