

# Imagine Tomorrow since 1871

Management  
report 2020

15<sup>YEARS</sup>  
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% Degroof  
Petercam  
Imagine Tomorrow since 1871

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# Management Report

## 1 | Comments on business activity

In 2020, despite the difficult market circumstances and the COVID-19 health crisis, Degroef Petercam's diversified business model showed robust resilience, with a record increase in assets within Asset Management and exceptional results from market activity in Investment Banking. In this environment, the fee-generating businesses, as well as the fund administration activities posted especially solid results.

Thus, all activities combined, total client assets increased slightly by 0.4% to 75 billion euros at the end of the year, compared with 74.7 billion euros a year earlier. These are net amounts, after subtracting double counting between the different activities of the group, namely: management and credit services, administrative services and custodial services. The significant decline in the markets in the spring of 2020 as a result of the pandemic was gradually and completely absorbed by the end of the year.

The **Degroef Petercam Asset Management (DPAM)** entity dedicated to the management of investment funds and mandates for major institutional accounts and the distribution of funds recorded a record level of net asset inflows (2.5 billion euros) despite the health crisis. In addition, DPAM continued its international expansion, with almost 88% of net inflows coming from abroad.

Institutional asset management (DPAM and private client investments in funds managed by the group) saw gross assets under management increase from 53.8 billion euros to 58.1 billion euros at the end of 2020.

**Private Banking**, having set in motion the transformation of its business organization and the simplification of its offer, as well as continuing to comply with measures against money laundering, experienced a decline in assets, with a net outflow of capital, but this was partly offset by a positive market effect. Private client assets under management increased to 35.9 euros billion as at 31 December 2020 compared to 38.4 billion euros in 2019. This decline is partly explained by the sale of the Spanish subsidiary and its private banking business.

Outstanding loans drawn as at 31 December 2020 were 2 billion euros (a slight decrease compared to the end of 2019) for a balance sheet of 8.8 billion euros.

As at 31 December 2020, **Asset Services** recorded 51.7 billion euros in assets under administration and/or custody, including 8.3 billion euros for mutual funds for third-party clients. The exceptional increase of 27.8% compared to the end of 2019 is mainly due to the internal incorporation of the administration of the ex-Petercam funds.

**Investment Banking** achieved an exceptional performance in its Global Markets activities, linked to the significant increase in revenues from brokerage activities (due to the high volume of transactions in an environment of high market volatility). In addition, the results associated with the activity of hedging positions linked to the management of stock option plans recorded a significant increase in 2020. This was accompanied by a significant increase in invoicing revenues linked to this same activity.

On the other hand, results from bond trading and the marketing of structured products were lower than in the previous year. The activity of Corporate Finance within Investment Banking declined significantly due to low business activity in the first half of the year as a result of COVID-19; some transactions were postponed or cancelled altogether. However, business activity rebounded in the second half of the year, with especially marked growth in the last quarter of the year.

### Summary

In a year affected by a number of factors, the institutional asset management and asset services businesses were the main drivers of fee growth for the group. Revenues from these business lines grew strongly over the past financial year. The performance of Private Banking in terms of assets under management recorded a decline in inflows compared to 2019, partially offset by a positive market effect. The Investment Banking business achieved record results in capital markets activities, while Corporate Finance posted a decline in business, although it showed a clear recovery at the end of the year.

Institutional assets under management increased slightly in 2020 due to the positive market effect combined with exceptional new capital inflows (distribution and institutional mandates) to DPAM.

In addition, fund administration fees also increased significantly thanks to a higher level of average assets due to the integration of ex-Petercam funds previously administered externally.

Income from private client management was below the 2019 level.

2020 was another good year for Private Equity, with significant inflows into various funds and excellent performances, particularly in the renewable energy funds Green Funds II and III.

Overall, net commission income from all business lines was up by 2.7% from the previous year.

## 2 | Comments on the consolidated accounts

At the end of the financial year 2020, the consolidated net profit (group share) was 40,043,700 euros compared to 20,188,105 euros in the previous financial year. This significant increase is mainly due to three factors. Firstly, the increase in net fee and commission income supported by the growth in net interest income (all products). Secondly, a significantly lower level of non-recurring impacts in terms of impairments on non-financial assets (mainly goodwill of foreign entities, and the application of IFRS 5 for Degroof Petercam Spain). Net impairment losses on credits (both at individual and collective level) were also lower

than in 2019. Thirdly, tax expenses were significantly lower in 2020, mainly due to the implementation of tax consolidation in Belgium.

Consolidated comprehensive income (group share) was 41,399,834 euros as at 31 December 2020 compared with 24,930,734 euros a year earlier. Income is calculated by adding to consolidated net profit the unrealized income directly recognized in equity (revaluation reserves).

The net interest income from financial instruments increased notably due to two main factors. Firstly, the significant decrease in interest expenses on debts due to clients. This is mainly related to the decline in US interest rates, resulting in lower returns on deposits. Secondly, the decrease in net interest income from hedging derivatives (Interest Rates Swaps - IRS) as a result of the sharp decline in the yield curve.

The net interest margin including all revaluations of interest rate conditions on trading and hedging instruments, for all activities, was significantly lower than the previous year's results. This was mainly due to the sharp decline in gains on FX forwards as a result of the significant drop in USD interest rates (combined with lower volumes) and the decision to invest instead in government bonds issued in the same currency but with lower yields.

The item other net operating income showed a negative change compared to 2019 due to the creation of new provisions for expenses in 2020, whereas 2019 was mainly impacted by the reversal of provisions.

Staff expenses increased compared to the previous year due to the effects of increased payroll, variable pay provisions and an increase in the number of staff to support the growth of the business as well as the Risk & Compliance and IT functions.

Other general expenses remained broadly stable in 2020, mainly due to external services related to the technological transformation, the renewal of the core banking system and regulatory remediation. In contrast, marketing and travel expenses decreased substantially in the context of the health crisis.

Impairment of assets decreased significantly compared to 2019. This is mainly due to the fact that in 2019 the group recorded a high level of impairments on intangible assets, mainly on goodwill relating to the management of private clients with certain banking subsidiaries abroad. In addition, for financial assets this positive development is also due to a significant reversal in 2020 of an impairment on a former trade credit.

The tax expenses at the balance sheet date were down significantly compared to the previous year. The decrease in taxes can mainly be explained by the implementation of tax consolidation in Belgium, but also by the decrease in the tax rate of Belgian companies, the recovery of taxes from previous years in Luxembourg and the increased recognition of deferred tax receivables with the parent company.

The decrease in other components of comprehensive income is mainly due to the significant decrease in actuarial gains due to the revaluation of financial and other assumptions (mainly the decrease in the discount rate) on the pension plans in 2020. However, this negative impact is partially offset by the change in fair value revaluation reserves on equity instruments.

## 2.1 Appropriation of statutory profit/(loss)

At 31 December 2020, the statutory net loss of Banque Degroof Petercam SA totalled 22,903,654 euros. Taking into account the profit carried forward from the previous financial year of 220,955,903 euros, the profit base to be allocated amounts to 198,052,249 euros.

The statutory income statement shows a loss at the end of the year due to the absence of dividend payments by the main subsidiaries to the parent company, while pursuing the objective of implementing tax consolidation within the Belgian division.

The board of directors proposes to the general meeting to allocate the profit for the financial year as follows:

	(in EUR)
Profit/(Loss) for the year	-22,903,654
+ Carried forward	220,955,903
<b>= Profit to be appropriated</b>	<b>198,052,249</b>
- Allocation to other reserves	0
- Director's fee	1,359,750
- Dividends	5,312,683
- Profit bonuses	5,429,319
<b>= Profit to be carried forward</b>	<b>185,950,497</b>

Consolidated shareholders' equity, including minority interests, amounted to 939.1 million euros at the end of the financial year, an increase of 41.4 million euros compared to the previous year.

The increase in consolidated shareholders' equity is the result of the following effects:

- distribution of the profit (40.0 million euros);
- the revaluation of financial assets at fair value during the financial year (1.5 million euros);
- the IAS 19 revaluation of the conditions of post-employment benefits (-0.2 million euros) and;
- changes in translation differences (0.1 million euros).

Regulatory capital amounted to 567 million euros and largely exceeded the requirements set by prudential standards. The Tier 1 (core capital) and Tier 2 (supplementary capital) solvency ratios stood at 21.2% at 31 December 2020. These ratios are well in excess of the regulatory SREP requirement (reviewed annually) and imposed by the ECB.

The return on equity ratio (ROE) increased to 4.4% at 31 December 2020. This represents the relative value of the consolidated net income for the year in relation to average consolidated shareholders' equity.

## 2.2 Assets under custody

At the end of the 2020 financial year, consolidated assets in open custody stood at 99 billion euros, up 15.0% compared to the end of 2019.

### 3 | Changes in capital

At 31 December 2020, share capital amounted to 34,211,634 euros. It is represented by 10,842,209 shares with no nominal value. All shares are fully subscribed and fully paid up. The accounting par value per share is 3.1554 euros.

### 4 | Treasury shares held by the group (Art. 7:220 of the Companies and Associations Code)

Banque Degroof Petercam SA does not hold treasury shares.

As at 31 December 2020, the sub-subsidiaries of Banque Degroof Petercam SA, Orban Finance SA, Industrie Invest SA, and Industrie Invest SA together held 368,206 Banque Degroof Petercam SA shares, representing 3.4% of the share capital.

The consolidated carrying amount of all treasury shares held by the sub-subsidiaries amounted to 49,626,736 euros as at 31 December 2020.

During the past financial year, the total number of treasury shares was unchanged.

### 5 | Circumstances likely to have a significant influence on the group's development

The group continued its multi-year IT transformation program, aimed at modernizing its IT infrastructure and providing the group's internal users and clients with modern and efficient IT tools.

Major progress was made in 2020, in particular through the completion and implementation of the IT2BE program to modernize the IT infrastructure. Our four former data centers were successfully migrated to Proximus/Telindus in Luxembourg. In addition, the new Enterprise Data Warehouse is also operational and is gradually being fed with more and more data (transactional, financial, client, etc.).

Finally, the group's board of directors decided in September 2020 to launch the Kairos program, aimed at replacing the group's core banking system and portfolio management system. This program is now fully operational. It has targeted a phased migration for Belgium in 2021 and 2022, followed by Luxembourg in 2023. Plans call for this transformation to be completed with an overhaul of our digital platform and web and mobile tools. This project is in the scoping phase.

## 6 | Research and development activities

The group continued its research and development activities through the progressive implementation of its operational and support application transformation program.

Development costs related to the FTOM and Digital Acceleration projects were capitalized in 2018 and 2019. These two major projects became operational in the fourth quarter of 2019, which entails the end of the capitalization of new costs and results in the amortization of previously capitalized costs. Net fixed assets relating to FTOM and Digital Acceleration totaled 14.5 million euros at the end of the year.

There were no new plans to capitalize development costs in 2020.

## 7 | Remuneration policy

The remuneration policy is an integral part of the governance memorandum, which entered into force on 24 September 2014 and is reviewed at regular intervals. It was agreed upon by the executive committee in consultation with the board of directors, the nomination committee and the remuneration committee and the independent controlling functions.

This remuneration policy promotes sound and effective risk management. It does not encourage any risk-taking that exceeds the level of risk tolerated by the group, while promoting the group's long-term objectives and interests and avoiding conflicts of interest.

In accordance with current legislation, the remuneration policy is published on the group's website. Its general principles are as follows:

- the total volume of variable remuneration granted does not limit the group's ability to strengthen its equity capital;
- variable remuneration is never guaranteed, except in the exceptional case of a newly recruited employee in his first year of employment;
- the executive committee has designated the Identified Staff in accordance with the selection methodology and criteria set by the board of directors based on the significant impact of these individuals on the risk profile of the group. A specific remuneration policy applies to them;
- the remuneration policy also provides for a maximum ratio between the amount of fixed remuneration and the amount of variable remuneration as well as schemes to carry forward variable remuneration in cash or, possibly, in financial instruments, in accordance with the procedures provided for by the regulator;
- the remuneration of non-executive members of the board of directors consists solely of a fixed remuneration determined on the basis of market benchmarks. These members do not receive any form of variable remuneration.

## 8 | Main risks to which the group is exposed

By the nature of its activities, in addition to strategic risk, Degroof Petercam is exposed to certain risks.

The main risks are as follows:

- market risks, mainly related to investment activities in securities portfolios (equities, bonds) and to interest rate transformation activity ('Asset and Liability Management');
- liquidity risk resulting from maturity differences between financing (generally short-term) and reuse;
- counterparty risk related to credit activity (which is severely limited by the use of collateral in the form of securities portfolios) and derivative intermediation transactions;
- risks related to the asset management business (risk of legal action by clients whose mandates have not been complied with, commercial risk of loss of dissatisfied clients and related reputational risks);
- risks related to the fund management activity, mainly arising from non-compliance with investment policies and restrictions or poor performance;
- the operational risk resulting from its activities, including banking (error in order execution, fraud, cybercrime, etc.), custodian bank (loss of assets) or wealth/fund manager (administrative error, non-compliance with constraints);
- reputational risk is essentially a derivative risk since it is generally related to one of the other risks mentioned above and could materialize at the same time as these risks, which could adversely affect, among other things, the bank's ability to retain existing clients, establish new business relationships, etc.

As communicated in April 2019, an inspection by the BNB focused on the bank's internal control procedures in the area of the prevention of money laundering.

This inspection resulted in the improvement of its internal rules and procedures in the area of the prevention of money laundering and the documentation of its customer files.

In close consultation with its regulators, Degroof Petercam has worked actively to implement these recommendations. As part of this update of file documentation, Degroof Petercam is reviewing a number of situations of clients who have been granted loans.

Although this exercise has not led to the establishment of provisions at this stage, Degroof Petercam cannot rule out the possibility that the review of certain files may have an impact on the acceptability of the funds used to repay the loans contracted by these clients and lead to a default in payment in some cases.

With regard to the general risk of litigation, it should be noted that investigations, proceedings or other claims could have an impact on Degroof Petercam in the future. Due to numerous uncertainties, it is not possible to make a reliable estimate of the consequences or the potential financial impact, if any, of such events. Degroof Petercam believes that, on the basis of the information available to it, it has made the appropriate declarations and set aside sufficient provisions to cover the risks of current or potential litigation.

## 9 | Policy on the use of financial instruments

Within the group, derivatives are used for own account in the following ways.

As part of ALM (asset and liability management), interest rate derivatives, mainly interest rate swaps, are used to hedge the group's long-term interest rate risk.

Derivatives of this type are used to hedge investments in bonds and loans granted to clients with a micro-hedge perspective. These transactions are recognized in the accounts as fair value hedges.

Interest rate swaps are also used for global hedging purposes from a macro-hedge perspective.

This use of derivatives is supervised by the Asset and Liability Management Committee (ALMAC).

Similarly, the group's treasury (interest rate risk < 2 years) uses interest rate derivatives and cash swaps to manage the group's interest rate risk and cash position.

The management of the group's foreign exchange position also involves the use of derivatives (forward foreign exchange contracts and currency swaps) to hedge commitments to clients and the financing of subsidiaries in the currency corresponding to their activities.

Degroof Petercam also has a derivatives intermediation activity for its clients, in particular in equity options.

## 10 | Significant post-balance sheet events

In view of the extension of the protective measures introduced in 2020 by the federal government as part of the fight against the health crisis, Degroof Petercam is now actively pursuing the continuous application of its remote working processes in order to protect the health of its employees, while at the same time preserving the assets of its clients and the functioning of its activities. The experience of providing services remotely on a large scale since March 2020 has shown that all of the group's activities can be properly carried out under good conditions and can be adjusted as needed.

For 2021, for its annual budget, Degroof Petercam no longer foresees the health crisis having a major impact on the revenues and profitability of its main business lines.

In addition, the closing procedure for the sale of Degroof Petercam Spain and its two subsidiaries was completed on 25 February 2021.

On 22 April 2021, the board of directors decided to propose to the general meeting of 25 May 2021 to distribute a gross dividend of 0.49 euro per share to the shareholders, in compliance with the recommendations of the European Central Bank requesting extreme caution in the distribution of dividends in 2021, and authorized the publication of the financial statements.

## 11 | Non-financial report

The non-financial declaration is the subject of a separate report attached to the annual report.

## 12 | Governance

At 31 December 2020, the governance bodies of Banque Degroof Petercam SA were comprised as follows:

	Board of directors	Executive committee	Audit committee	Risk committee	Remuneration committee	Nomination committee	IT committee	Deadline
Mr. Ludwig Criel <sup>◇</sup>	★		●		★	●		2021
Ms. Nathalie Basyn	●	●						2021
Mr. Bruno Colmant	●	★						2021
Mr. Gautier Bataille de Longprey	●	●						2022
Mr. Gilles Firmin	●	●						2022
Mr. François Wohrer	●	●						2024
Ms. Veronique Peterbroeck	●					●		2021
Mr. Jean-Baptiste Douville de Franssu	●			●			●	2021
Mr. Miguel del Marmol	●		●		●			2021
Mr. Jean-Marie Laurent Josi	●		●			●	●	2022
Mr. Frank van Bellingen	●		●	★				2022
Mr. Jacques-Martin Philippson	●			●		●		2022
Mr. Guido Vanherpe <sup>◇</sup>	●		●		●	★		2024
Mr. Yvan De Cock <sup>◇</sup>	●		★	●	●			2022
Ms. Kathleen Ramsey <sup>◇</sup>	●		●	●		●	★	2022

- Non-executive Director
- Executive Director
- ★ Chairman
- ◇ Independent Director

(1) Mr. Ludwig Criel was replaced by Mr. Gilles Samyn as chairman of the board of directors on 21 January 2021.

## 12.1 The board of directors

The board of directors of Degroof Petercam includes the members of the executive committee and the non-executive directors.

The board of directors is composed of at least eight members, who may or may not be shareholders and who are exclusively natural persons. The general meeting of shareholders shall determine their number and the duration of their term of office, which may not exceed six years. Directors are eligible for re-election.

The composition of the board of directors is determined on the basis of the following rules:

- the composition of the board as a whole must enable it to function effectively, efficiently, and in the best interests of the company. It must show a diversity of expertise together with a range of complementary experience;
- no individual member nor group of directors must be able to control the decision-making of the board;
- the majority of directors must be non-executive;
- at least two of the non-executive directors are independent, in order to meet the requirements of the Banking Act. As at 31 December 2020, however, the board includes four independent directors.

The mission of the nomination committee is to make periodic recommendations to the board of directors concerning the size and composition of the board, particularly when terms of office are renewed. The members of the board all have the professional integrity and appropriate experience required by the legal provisions.

In its recommendations to the general meeting of shareholders for the appointment of directors, the nomination committee takes into account the balance of knowledge, expertise, diversity and experience on the board.

During the year, the following changes occurred in the composition of the board of directors and the executive committee:

The ordinary general meeting of 26 May 2020 appointed Mr. **Gaëtan Waucquez** as a non-executive director for a three-year term ending at the end of the general meeting of 2023, subject to the approval of the European Central Bank and with an effective start of the term of office from the date of this approval. The European Central Bank confirmed Mr. Gaëtan Waucquez in this role on 13 January 2021.

The general meeting also took note of the resignation of Mr. **Benoit Daenen** in his capacity as non-executive director with effect from the general meeting of 26 May 2020 and of the fact that Mr. Benoit Daenen's term of office as managing director and member of the executive committee had ended on 16 March 2020. Finally, the general meeting took note of the resignation of Mr. **Alain Schockert** as non-executive director, with effect from the ordinary general meeting of 26 May 2020.

The board of directors considers as independent directors those of its members who meet the criteria mentioned in Article 7:87(1) of the Companies and Associations Code.

As at 31 December 2020, the following directors should be considered independent:

**Kathleen Ramsey** and **Yvan De Cock**, **Ludwig Criel**, **Guido Vanherpe**.

### 12.1.1 Responsibilities and functions of the board of directors

The board of directors is responsible for defining strategy and general policy. It ensures the implementation of the strategy and general policy by the executive committee and determines, on the basis of the executive committee's proposals, the resources necessary for this purpose. It determines the responsibilities and composition of the executive committee and controls

its actions. It ensures that adequate resources are implemented to guarantee the company's sustainability.

The board of directors deliberates on all subjects and matters within its competence, such as the approval of the annual accounts and management reports as well as the convening of general meetings. It receives adequate information on the development of the business and key figures, both for the company itself and for its main subsidiaries. It also approves the annual budget.

The board of directors meets at least four times a year and whenever the interests of the company so require. It met 11 times during the year.

The board of directors can only validly deliberate if at least half of its members are present or represented. No director may represent more than two of their fellow directors. Resolutions are passed by a simple majority of votes. In the event of a tied vote, the proposal is rejected.

The total remuneration allocated to the members of the board of directors is shown in the notes to the parent company financial statements. The full version of the parent company's financial statements is available at the company's headquarters.

## 12.2 Advisory committees created by the board of directors

Within the board of directors, Degroef Petercam has, in accordance with the legal provisions, set up four specialized committees (audit, risk, nomination and remuneration), composed exclusively of non-executive directors, at least one of whom (and the majority in the case of the audit committee) is an independent director within the meaning of Article 7:87(1) of the Companies and Associations Code. Beyond the legal provisions, the board of directors has also set up an IT committee.

### 12.2.1 Audit committee

#### Members as at 31 December 2020

Mr. Yvan De Cock	Chairman, independent director
Mr. Ludwig Criel	Independent director
Ms. Kathleen Ramsey	Independent director
Mr. Guido Vanherpe	Independent director
Mr. Miguel del Marmol	Director
Mr. Jean-Marie Laurent Josi	Director
Mr. Frank van Bellingen	Director

The company's auditor takes part at a minimum in meetings that deal with the examination of the half-yearly and annual financial statements.

The audit committee meets at least five times a year. It met nine times during the past financial year. It reported systematically on its activities to the board of directors.

Each member of the audit committee has professional experience in financial management, reporting, accounting and auditing, each member of the audit committee has professional experience as a director exercising executive functions, and the members of the audit committee have complementary professional experience in different sectors of activity and have collective competence in the area of the group's activities.

The audit committee is chaired by Mr. **Yvan De Cock**, who has degrees in law and financial management. He has significant experience acquired through various executive positions he has held for over 30 years in the banking and financial sector, mainly within the BNP Paribas Fortis group. He also served as CEO of Fortis UK and Fortis Turkey.

Mr. **Ludwig Criel** has a degree in applied economics. He was chairman of the board of Petercam from 2011 to 2015, and has been chairman of the board of Degroof Petercam since 2018. He has extensive expertise and professional competence in accounting matters, having served as CFO and director of CMB for 24 years, as well as various non-executive mandates held within the Saverco group. In addition, he is chairman of the board of directors of De Persgroep.

Ms. **Kathleen Ramsey** holds a master's degree in business administration from ESADE and a master's degree in international management from the Thunderbird School of Global Management as well as a bachelor's degree from the University of Tulsa. She has extensive experience in the audit function at major financial institutions including Santander, Citigroup and American Express, where she was involved in the implementation of an internal control framework. She has also been a guest auditor for the US and international subsidiaries of Citigroup.

Mr. **Guido Vanherpe** has a degree in applied economics and a special degree in applied marketing. He also completed an MBA in finance in the United States. He has been managing director of the La Lorraine Bakery Group since 1995. He was chairman of the audit committee of Resilux and was a member of the audit committee of Terbeke. During his career, in addition to his theoretical skills, he has acquired extensive professional experience in accounting and auditing.

Mr. **Miguel del Marmol** has a degree in business engineering. He has acquired professional experience in auditing and accounting throughout his career with the Total Group, particularly as general manager.

Mr. **Jean-Marie Laurent Josi** is a graduate of the Ecole de Commerce Solvay. He has acquired significant professional experience in finance, accounting and auditing mainly through his role as CEO of Cobepa since 2004, as well as through his various roles as a director of companies in a number of sectors, and more particularly his role as a member of the audit committee of Carmeuse and Van Oord.

Mr. **Frank van Bellingen** has a bachelor's degree in philosophy, a master's degree in economics (UCL) and a master's degree in international relations (LSE), and he was also certified as an accountant and tax expert until 2006. After working in the banking sector in London and Chicago he brings significant experience and expertise in auditing and accounting through his role as director and chief financial officer of CLDN-Cobelfret for over 30 years.

The audit committee assists the board of directors in its supervisory function and more specifically in matters relating to:

- financial information for shareholders and third parties;
- the audit process;
- functioning of the internal control system;
- monitoring the relationship with the auditor.

The meetings mainly focused on the review of the half-yearly financial statements, the annual financial statements and activity reports, the follow-up of the implementation of the group's internal audit recommendations and the approval of the planning of the internal audit missions, the follow-up of financial reporting projects and the correspondence/reports of the regulators. The committee is also informed of the conclusions of the audit and risk committees of the subsidiaries. Representatives of the group's main subsidiaries reported on their activities and challenges. The committee has taken note of the list of disputes.

### 12.2.2 Risk committee

#### Members as at 31 December 2020

Mr. Frank van Bellingen	Chairman
Mr. Yvan De Cock	Independent director
Ms. Kathleen Ramsey	Independent director
Mr. Jean-Baptiste Douville de Franssu	Director
Mr. Jacques-Martin Philippson	Director

The risk committee meets at least five times a year. It met 11 times during the year. It reported systematically on its activities to the board of directors.

Each member of the risk committee has professional experience as a director in executive positions, and has the necessary additional knowledge, expertise, experience and abilities to understand the group's strategy and risk tolerance level.

Mr. **Frank van Bellingen** has a master's degree in economics and a master's degree in international relations. He has acquired professional experience in risk management through his role as a director and chief financial officer of CLDN-Cobelfret, where he has been responsible for risk management since 1988. He has also chaired the risk committee of Degroof Petercam since 2015.

Mr. **Yvan De Cock** has degrees in law and financial management. He has gained significant experience through various executive positions he has held for over 30 years in the banking and financial sector, mainly within the BNP Paribas Fortis group. He also served as chief executive officer of Fortis UK and Fortis Turkey. In these roles, he chaired credit committees and was closely involved in the management of other risks such as market risks, operational risks and compliance risks.

Ms. **Kathleen Ramsey** holds a master's degree in business administration from ESADE and a master's degree in international management from the Thunderbird School of Global Management as well as a bachelor's degree from the University of Tulsa. She has significant experience in financial services as an operations manager for major financial services companies, including Santander, Citigroup and American Express. In these roles, she has developed expertise in risk management, including operational risk, the internal control framework and risks related to outsourcing, IT and cyber risk.

Mr. **Jean-Baptiste Douville de Franssu** is a graduate of the École Supérieure de Commerce de Reims Group and the University of Middlesex (London) in Business Administration. He has a diploma in actuarial studies from Pierre and Marie Curie University (Paris). Until 2012 he was managing director and a member of the executive committee of INVESCO Plc, one of the world's leading asset managers. Since then, he has been a company director in the financial sector and notably chairman of the board of directors of L'Instituto per le Opere di

Religione (IOR) and vice-chairman of the board of directors and chairman of the audit and risk committee of the La Française Group.

Mr. **Jacques-Martin Philippson** has gained professional experience in risk management throughout his career as a director (executive and non-executive) of many companies since 1990, both in Belgium and abroad. In addition, he has been a member of the risk committee of Degroof Petercam in Belgium and Luxembourg since 2012.

The risk committee assists the board of directors in assessing the level of risk tolerance and proposes action plans in this area. The committee assisted the board in defining the Risk Appetite Framework, Risk Appetite Statement and underlying policies. The risk committee paid particular attention to the monitoring carried out by risk management and more specifically to the impact of certain decisions on the group's risk profile. The committee also monitored the implementation of the RCSA within the organization.

The risk committee deals in particular with the group's main risk policies. It receives specific briefings from management and examines the procedures for controlling material risks, including market risks and structural interest rate risks as well as credit, operational and reputational risks. The risk committee reviews risk policies annually and monitors management's implementation of processes to ensure that the group adheres to the approved policies.

The committee also ensured the proper application of the remuneration policy. It recommended that the board approve the ICAAP and ILAAP reports, the update of the recovery plan, the periodic risk management and operational risk reports, as well as the compliance officer's reports (quarterly and annual, Enterprise Wide Risk Assessment).

The meetings held also addressed issues such as anti-money laundering (AML)/client file review (CFR), the development and updating of various compliance policies, remediation plans, transfer pricing and the implementation of the EU DAC6 directive.

The risk committee continued to address reputational, governance, legal and regulatory risks on an ad hoc basis.

### 12.2.3 Nomination committee

#### Members as at 31 December 2020

Mr. Guido Vanherpe	Chairman, independent director
Mr. Ludwig Criel	Independent director
Ms. Kathleen Ramsey	Independent director
Mr. Jean-Marie Laurent Josi	Director
Ms. Véronique Peterbroeck	Director
Mr. Jacques-Martin Philippson	Director

The members of the nomination committee have complementary professional experience in different sectors of activity and collectively have the necessary expertise to enable the committee to exercise a relevant and independent judgment on the composition and functioning of the group's management and administrative bodies.

Mr. **Guido Vanherpe** has a degree in applied economics and a special degree in applied marketing. He also completed an MBA in finance in the United States. He has been managing director of the La Lorraine Bakery Group since 1995, where he has gained extensive experience in the professionalization and governance of his family group. He is also chairman of the Family Business of Excellence Award, an initiative dedicated to recognizing family businesses that excel in governance and sustainability vision.

Mr. **Ludwig Criel** has a degree in applied economics. He was chairman of the board of Petercam from 2011 to 2015, and has been chairman of the board of Degroof Petercam since 2018. He has extensive expertise and professional competence in accounting matters, having served as chief financial officer and director of CMB for 24 years, as well as various non-executive mandates held within the Saverco group. In addition, he is chairman of the board of directors of De Persgroep.

Ms. **Kathleen Ramsey** holds a master's degree in business administration from ESADE and a master's degree in international management from the Thunderbird School of Global Management as well as a bachelor's degree from the University of Tulsa. She specializes in technology and operations and has more than 25 years of experience in international management in large multinational companies such as Citigroup, Santander and American Express. She has extensive experience in managing large groups of diverse teams.

Mr. **Jean-Marie Laurent Josi** is a graduate of the Ecole de Commerce Solvay. He has acquired relevant professional experience in finance, accounting and auditing mainly through his role as chief executive officer of Cobepa since 2004, as well as through his various roles as a director of companies in a number of sectors, and more particularly his role as a member of the nomination committee of Carmeuse and Socotec.

Ms. **Véronique Peterbroeck**, a candidate in economics and a state-certified stockbroker, has been a director of the group since 2011. She is also a director of various investment companies and development foundations/NPOs, active both in the north and south of the country, and also gained experience in human resources through her time as an employee at Petercam, in particular in the human resources department.

In addition to his directorships with Degroof Petercam in Belgium and Luxembourg since 2011-2012, Mr. **Jacques-Martin Philippson** has been a director (executive and non-executive) of companies since 1990 in the areas of events, audiovisual, logistics, financial management, real estate development and asset management.

The nomination committee is consulted in particular on matters relating to:

- the composition and size of the board of directors and executive committee;
- the definition of the profile of board of directors and executive committee members and 'Identified Staff', and the selection process;
- proposals for appointing and re-electing directors and members of the executive committee.

The nomination committee ensures that it applies the recruitment, appointment and renewal policy applicable to the functions of directors, acting directors and managers of the independent control function.

The nomination committee is responsible for making proposals for the composition of the board of directors and the executive committee, define the profile of their members and participate in the selection process for them; It also makes recommendations concerning the appointment and re-election of directors and members of the executive committee.

The directors are elected by the general meeting of shareholders, after approval by the supervisory authority, for a term not exceeding six years, and are eligible for re-election. For the renewal of a director's mandate, the nomination committee must analyse the individual contribution of the director concerned before recommending the renewal of the mandate to the board of directors.

The members of the executive committee are appointed by the board of directors, based on the proposal from the nomination committee, and after approval by the supervisory authorities. The chairman of the executive committee is appointed by the board of directors from among the members of this committee after recommendation of the nomination committee and approval by the supervisory authority. The dismissal or non-renewal of the chairman's mandate is subject to the same procedure.

The nomination committee meets at least twice a year. It met 16 times during the year. It reported systematically on its activities to the board of directors.

#### 12.2.4 Remuneration committee

##### Members as at 31 December 2020

Mr. Ludwig Criel	Chairman, independent director
Mr. Yvan De Cock	Independent director
Mr. Miguel del Marmol	Director
Mr. Guido Vanherpe	Independent director

Each member of the committee has professional experience as a director exercising executive functions and the members of the remuneration committee have the necessary expertise to exercise competent and independent judgment on remuneration and bonus policies, taking into account equity and liquidity.

Mr. **Ludwig Criel** has a degree in applied economics. He was chief financial officer and executive officer of CMB for 24 years, and has held various non-executive positions within the Saverco Group. He is also chairman of the board of directors of De Persgroep. After having chaired the board of directors and the remuneration committee of Petercam from 2011 to 2015, he is now chairman of the board of Degroof Petercam, and has been a member of the remuneration committee since 2016.

Mr. **Yvan De Cock** has degrees in law and financial management. He has significant experience in accounting and auditing acquired through various executive positions he has held for over 30 years in the banking and financial sector, mainly within the BNP Paribas Fortis group. In these roles, he was closely involved in the implementation of remuneration policies.

Having had general management responsibilities for more than 15 years in Belgium and internationally at companies of approximately the same size as Degroof Petercam, **Miguel del Marmol** brings to the committee the benefit of his experience in the field of team remuneration.

Mr. **Guido Vanherpe** has a degree in applied economics and a special degree in applied marketing. He also completed an MBA in finance in the United States. He has been managing director of the La Lorraine Bakery Group since 1995, where he has gained extensive experience in the professionalization and governance of his family group. He was also an independent director at Resilux NV and Terbeke NV, where he gained experience in various remuneration policies.

The remuneration committee is consulted in particular on matters relating to:

- the general remuneration policy;
- the total amount of variable remuneration;
- the remuneration of directors who are members of the executive committee;
- the remuneration of 'Identified Staff' and the independent control functions;
- profit-sharing plans for group employees.

The remuneration committee meets at least twice a year. It met six times during the year. It reported systematically on its activities to the board of directors.

### 12.2.5 IT committee

#### Members as at 31 December 2020

Ms. Kathleen Ramsey	Chairwoman, independent director
Mr. Jean-Baptiste Douville de Franssu	Director
Mr. Jean-Marie Laurent Josi	Director

The IT committee meets at least five times a year. It met six times during the year. It reported systematically on its activities to the board of directors.

The IT committee helps the board of directors to promote the IT vision and its development within the bank and supervise the execution and implementation of the IT strategy approved by the executive committee, taking into account significant IT risks in order to guarantee a balance between regulatory impact, operational efficiency and commercial activity in a context of essential IT and operational transformation.

The IT committee supports the board of directors in order to facilitate the development, implementation, monitoring and periodic evaluation of the Bank's internal governance framework from an IT point of view and ensures that the IT strategy is aligned with the business objectives defined by the board of directors and takes into account the group's vision for innovation in the IT field.

The IT committee assists the risk committee in identifying, monitoring and evaluating operational IT risks inherent in all important products, activities, processes and systems in order to ensure that the risks and incentives inherent in IT are well understood and managed; all relevant extracts from reports, minutes and conclusions on IT risks are communicated to the risk committee.

### 12.3 Executive Committee and day-to-day management of the group

In accordance with Article 17 of its Articles of Association and Article 24(1)\* of the Banking Act, the board of directors has set up an executive committee from among its members. Within the framework of the general policy defined by the board of directors, the executive committee ensures the effective management of the company and the group. He exercises all the powers conferred on him by law.

#### Members of the executive committee (and their management responsibilities within the executive committee) as at 31 December 2020

Mr. Bruno Colmant	Chief executive officer (PB, DPAM, Luxembourg/Asset Services, credit, human resources, legal, communication, facilities, IT, operations and CEO office)
Mrs. Nathalie Basyn	Chief financial officer (finance)
Mr. Gautier Bataille de Longprey	Group head of business development (Private Equity, Family Office en Group Business Development)
Mr. Gilles Firmin	Chief risk officer (Risk, AML en Compliance)
Mr. François Wohrer	Group head of investment banking (Investment Banking)

The composition of the executive committee is determined on the basis of the following principles:

- the complementarity of expertise (in financial matters, risk management, operational know-how, etc.) required to ensure the implementation of strategy as defined by the board of directors;
- changing requirements;
- the moral, ethical and conduct criteria applicable within the group.

Each of the current members of the executive committee has the title of managing director. In principle, the executive committee meets once a week. It met 85 times during the year.

### 12.4 Profit allocation policy

The dividend is determined with reference to consolidated net profit and retained earnings, as well as the strategy of the group.

## 12.5 Governance memorandum

Degroof Petercam has developed a governance memorandum assessing the basic characteristics of its relative management structure:

- the personal integrity and financial soundness of major shareholders;
- a transparent management structure with a focus on sound and prudent management;
- the definition of the expertise and responsibilities of each segment of the organization;
- the collegial nature of effective executive management;
- the independent control functions;
- the suitable profiles and qualities of its senior managers;
- the remuneration policy for senior managers;
- the determination of the strategic objectives and values that the group sets for itself;
- the familiarity of senior management with the operating structure and activities of the group;
- adequate communication regarding management and control with the various parties concerned.

This information is transmitted to the National Bank of Belgium and is periodically updated.

## 13 | Conflicts of Interest

Article 7:96(1), indent 1 of the Companies and Associations Code (CAC) specifies that when the board of directors is called upon to take a decision or decide on a transaction falling within its competence in which a director has a direct or indirect interest of a pecuniary nature which is opposed to the interests of the company, that director must inform the other directors before the board of directors takes a decision. His declaration and explanation of the nature of this conflicting interest must be included in the minutes of the board meeting at which this decision is taken.

Article 7:96(1), indent 1 of the CAC further states that the board of directors shall describe in the minutes the nature of the decision or transaction referred to in indent 1 and the financial consequences for the company, and shall justify the decision taken. This part of the minutes shall be included in full in the management report.

In 2020, the board of directors managed situations of conflict of interest as described in article 7:96 of the CAC whose extract from the minutes of the board of directors of 12 March 2020 is reproduced below.

### Individual bonuses for members of the executive committee

The executive directors present leave the meeting. L. Criel then commented orally on the proposal of the remuneration committee. For the members of the executive committee, the remuneration committee recommends that no bonus be granted for the year 2019.

However, the remuneration committee recommends to the board that B. Colmant be granted the pro rata of his target bonus for the period from 22 August 2019 to 31 December 2019 due to his outstanding results as CEO.

The board of directors approves the recommendations of the remuneration committee for the granting of the 2019 bonus to the members of the executive committee and the CEO.

## 14 | Discharge of the directors and auditor

In accordance with the law and the Articles of Association, the general meeting is requested to grant discharge to the directors and the auditor of Banque Degroof Petercam SA for the performance of their duties for the past financial year.

## 15 | List of mandates exercised by the directors in accordance with the Law of 25 April 2014 on the status and supervision of credit institutions and brokerage companies ('Banking Law')

The list of external mandates held by senior managers of Degroof Petercam and which are subject to publication, is available at [www.degroofpetercam.com](http://www.degroofpetercam.com).

Brussels, 22 April 2021.



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[annualreport.degroofpetercam.com/2020](http://annualreport.degroofpetercam.com/2020)

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