

# GOVERNANCE

## Composition of the Executive Board and Supervisory Board

B&S Group is a public limited liability company incorporated under the laws of Grand Duchy of Luxembourg. It operates a two-tier board structure, managed by an Executive Board comprising four members and supervised by a Supervisory Board comprising five members.

### Executive Board

The Group attaches great importance to transparency and open communication to all its stakeholders. Taking a responsible approach to entrepreneurship, integrity and reliability are intrinsically linked to our governance structure.



**Bert Meulman, M (1967)**

**Position:** CEO and member of the Executive Board since 2004 (re-appointed in 2018). In his role as CEO he holds responsibility for corporate strategy, business development, marketing and sales and human resources.

**End of current term:** 2022

**Nationality:** Dutch

**Previous positions held:** He started his career in a sales role at Kamstra Shipstores in 1992 – which currently forms part of the HTG Segment. He became partner three years later and was appointed CEO of the Group in 2004.



**Gert van Laar, M (1954)**

**Position:** CFO, member of the Executive Board since 2009 (re-appointed in 2018). In his role as CFO he holds responsibility for finance, risk management and IT.

**End of current term:** to retire at AGM scheduled May 19, 2020

**Nationality:** Dutch

**Other positions held:** Various senior finance positions, i.e. as advisor to the Group until 2009, member of the Dutch Institute of Chartered Accountants.



**Bas Schreuders, M (1954)**

**Position:** Member of the Executive Board since 2012 (re-appointed in 2018) and Senior Counsel. In his role as member of the Executive Board he holds responsibility for legal affairs.

**End of current term:** 2020

**Nationality:** Dutch

**Previous positions held:** CEO of Intertrust Group in Geneva, Switzerland until 2010, several senior legal positions at various banks.



**Niels Groen, M (1987)**

**Position:** Member of the Executive Board since 2017 (re-appointed in 2018) and Finance Director. In his role as member of the Executive Board he supports the CFO in the responsibility for finance and risk management.

**End of current term:** 2020

**Nationality:** Dutch

**Previous positions held:** Started at B&S International in 2011 and held several finance positions before becoming Finance Director in 2017 for one of the business segments of the Group.

## Supervisory Board

The Group values good governance and is committed to compliance with the principles of Supervisory Board composition as laid down in the Dutch Corporate Governance Code.



**Jan Arie van Barneveld, M (1950), Chairman**

First Appointed: 2018, end of current term: 2022

Nationality: Dutch

Committees: Audit and Risk Committee (member), Selection, Appointment and Remuneration Committee (member)

Last position held: CEO of Brunel International N.V. until 2017

**Supervisory Board memberships and other positions:** member of the Supervisory Board of Brunel International N.V., member of the Advisory Board of Boels Topholding B.V., member of the Supervisory Board and co-chairman of the Audit Committee of Museum Boijmans van Beuningen.



**Willem Blijdorp, M (1952), Vice-Chairman**

First Appointed: 2004, end of current term: 2022

Nationality: Dutch

Committees: Selection, Appointment and Remuneration Committee (member)

Last position held: Founder of Kamstra Shipstores – which currently forms part of the HTG segment – and CEO of B&S Group until 2004, member of the Supervisory Board since 2004.

**Supervisory Board memberships and other positions:** member of the Executive Board of Clinuvel Pharmaceuticals.



**Coert Beerman, M (1955)**

First Appointed: 2018, end of current term: 2021

Nationality: Dutch

Committees: Audit and Risk Committee (chair)

Position: Member of the Board of Directors of IHC Merwede Holding B.V.

**Supervisory Board memberships and other positions:** chairman of the Supervisory Board of the Hogeschool Rotterdam, chairman of the Supervisory Board of Zwanenberg Food Group B.V.



**Rob Cornelisse, M (1958)**

First Appointed: 2018, end of current term: 2020

Nationality: Dutch

Last position held: Tax partner at Loyens & Loeff N.V. until 2018

**Other positions:** Professor of Tax Law at the University of Amsterdam, chairman of the Tax Department of the Faculty of Law at the University of Amsterdam until 2018, of counsel Loyens & Loeff N.V.



**Kitty Koelemeijer, F (1963)**

First Appointed: 2018, end of current term: 2021

Nationality: Dutch

Committees: Selection, Appointment and Remuneration Committee (chair)

Position: Full Professor of Marketing & Retailing and Director of the Marketing & Supply Chain Center at Nyenrode Business University.

**Supervisory Board memberships and other positions:** member of the Supervisory Board of Brunel International N.V., CB Logistics, Coram International, Vereniging Eigen Huis, Handicapped Sports Fund and vice-chairman of the Supervisory Board and chairman of the Remuneration Committee of Intergamma.

With the exception of Mr. Willem Blijdorp who, through Sarabel Invest S.à. r.l. ('Sarabel'), at year-end 2019 held 51.72% of the shares in B&S Group S.A., none of the Supervisory Board members hold any ordinary shares or rights to obtain ordinary shares.

## Corporate governance

B&S Group was incorporated on December 13, 2007 as a private limited liability company (S.à. r.l.), under the laws of the Grand Duchy of Luxembourg. In March 2018, the Company was converted into a public limited liability company (S.A.).

The Executive Board and Supervisory Board are responsible for the company's corporate governance structure. The corporate governance of the Group is determined by Luxembourg Law, the Articles of Association and – as these are underwritten by the Group - by the regulations of the Dutch Corporate Governance Code (the 'Code').

### Executive Board

The Executive Board is responsible for day-to-day management, strategy and advocacy of general stakeholders' interest. The Executive Board may perform all acts necessary or useful for achieving the company's corporate purposes, except for those expressly attributed to the General Meeting or Supervisory Board under Luxembourg legislation or the Articles of Association.

### Composition, appointment and dismissal

The Articles of Association provide that the Executive Board must consist of at least two members. In the period under review, the Executive Board consisted of four members. The composition of the Executive Board and information about its members is provided on [page 42](#) of this Annual Report.

Members of the Executive Board are appointed for a maximum period of four years and may then be reappointed for an unlimited amount of times, each time for a maximum of four years.

A member of the Executive Board may be removed or replaced with or without cause, at any time, by a resolution adopted by the Supervisory Board or by General Meeting of Shareholders.

No member can simultaneously be a member of the Executive Board and of the Supervisory Board. However, in the event of any vacancy at the Executive Board, the Supervisory Board may appoint one of its members to act on the Executive Board until the following General Meeting. During that period, the duties of this person within the Supervisory Board will be suspended.

### Meetings and decision-making

In the financial year under review, the Executive Board had 11 formal meetings, some of them by teleconference. At one occasion, one member had to be excused for a meeting. The functioning of and decision-making within the Executive Board are governed by the Executive Board Rules which can be found on the [corporate website](#).

According to the Executive Board Rules, the company has installed an IT steering committee that assists the Executive Board in its oversight of the Group's IT function and prepares recommendations for the Group's IT policy.

### Supervisory Board

The Supervisory Board is responsible for supervising and providing advice on the policy of the Executive Board. The Supervisory Board regularly discusses the strategy, the implementation of the strategy and the principal risks associated with it.

The Supervisory Board includes an account of its involvement in the establishment of the strategy, and how it monitors its implementation in its report, which can be found under 'Report of the Supervisory Board'.

### Composition, appointment and dismissal

The Articles of Association provide that the Supervisory Board must consist of at least three members. In the period under review, the Supervisory Board consisted of five members. The composition of the Supervisory Board and information about its members is provided on [page 43](#) of this Annual Report.

Members of the Supervisory Board are appointed for a maximum period of four years and may then be reappointed for a maximum period of four years. A Supervisory Board member may then subsequently be reappointed for a period of two years. This reappointment may be extended by a maximum of two years. For reappointment after an eight-year period, reasons must be provided in the report of the Supervisory Board.

A member of the Supervisory Board may be removed or replaced with or without cause, at any time, by a resolution adopted by the General Meeting of Shareholders.

In the event of one or more vacancies in the Supervisory Board, because of death, resignation or otherwise, the remaining members of the Supervisory Board may appoint one or more members of the Supervisory Board, as the case may be, to temporarily fill any such vacancy until the next General Meeting of Shareholders where a new member of the Supervisory Board will be appointed upon proposal by the Supervisory Board, subject to compliance with any applicable nomination rights as set out in the Articles of Association.

### Meetings and decision-making

The Supervisory Board shall meet at least 4 times a year and as often as the business and interests of the company require. Unless the Chairman decides otherwise, Supervisory Board meetings shall be attended by all members of the Executive Board.

In accordance with the Articles of Association, the functioning of and decision-making within the Supervisory Board are governed by the Supervisory Board Rules that can be found on the [corporate website](#).

The Supervisory Board can only validly adopt resolutions if at least two of its members are present or represented at a meeting duly convened in accordance with the Articles of Association and Luxembourg Law.

Resolutions of the Supervisory Board may also be adopted outside of a meeting, provided that such resolutions are adopted in writing and signed by each member of the Supervisory Board. Pursuant to the Articles of Association, certain specified resolutions of the Supervisory Board require the affirmative vote of majority shareholder Sarabel as long as he holds at least 30% of the ordinary shares.

### Committees

The Supervisory Board has established two committees from among its members; the Audit and Risk Committee and the Selection, Appointment and Remuneration Committee. Their task is to assist and advise the Supervisory Board in fulfilling its responsibilities. These committees are governed by charters that have been drawn up in line with the Dutch Corporate Governance Code and can be found on the [corporate website](#). The present composition of the committees are provided in this Annual Report under 'Report of the Supervisory Board'.

### Remuneration

The remuneration of the Supervisory Board members is determined by the General Meeting of Shareholders. The General Meeting may grant a fixed remuneration to members of the Supervisory Board which is not dependent on the results of the Company and may grant an additional fixed remuneration to the Chairman and the vice-chairman. The remuneration of the Supervisory Board members should reflect the time spent and the responsibilities of their role.

### Diversity

In the composition of the Boards, the Group strives for sufficient complementarity, pluralism and diversity with regard to age, gender and background. The main aim is to create a diverse mix of knowledge, skills, expertise and personal characters.

The Group views diversity as a relevant mix of required elements that evolves with time, based on business objectives and future needs of the Group. We treat diversity of the Boards as means for improvement and development rather than as an objective in itself.

### Board conflicts of interest

Conflicts of interest should be handled in accordance with Art. 28 of the Articles of Association. If a member of the Executive Board or the Supervisory Board has a direct or indirect financial interest opposite to the interest of the company in any transaction that requires approval from the Executive Board or the Supervisory Board, he or she should inform the Boards as per Art. 28.1 of the Articles of Association. The member may not take part in the deliberations relating to the transaction and may not vote on transaction related resolutions.

### General Meeting of Shareholders

At least once a year, the Group convenes a shareholder meeting.

The Executive Board and Supervisory Board ensure that the General Meeting of Shareholders is properly informed and advised. The Company has, in accordance with best practice provision 4.2.2 of the Code, drawn up a Policy on bilateral contacts.

Shareholders who individually or jointly hold at least 5% of the issued share capital have the right to place items on the agenda and submit proposals for items included in the agenda. The Company will include the item on the agenda if it receives the substantiated proposal clearly stating the item to be discussed, or a draft resolution, in writing at least 22 days prior to the meeting date.

The main powers of the General Meeting relate to:

- the composition, appointment and dismissal of members of the Executive Board and the Supervisory Board;
- approval of the remuneration policy of the Executive Board and the Supervisory Board;
- the adoption of the annual financial statements and declaration of dividends on Ordinary shares;
- discharge from liability of the members of the Executive Board and the Supervisory Board;
- any transaction or measure entailing an important change of the identity or character of the Group;
- the issuance of ordinary instruments under the Ordinary Share Authorised Capital in the excess of 10% maximum set out in Art. 6.3(i) in the Articles of Association;
- amendments to the Articles of Association in accordance with Art. 12.3 in the Articles of Association.

For more information about the powers of the General Meeting, the Policy on bilateral contacts as well as Articles of Association, please visit our [corporate website](#).

### Share capital

The authorised share capital of the company consists of ordinary shares. All issued shares are fully paid up and each share confers the right to cast a single vote in the General Meeting. At year-end 2019, the total number of issued ordinary shares was 84,177,321.

The ordinary shares are freely transferable at the stock exchange of Euronext Amsterdam.

### Share ownership rights

There are no special control rights or restrictions on voting rights attached to the ordinary shares. However, shareholders Sarabel invest S.à. r.l. ('Sarabel') and Lebaras Belgium BVBA ('Lebaras') have a right to nominate candidates for appointment as members of the Supervisory Board. Pursuant to Luxembourg law, if Sarabel or Lebaras, when making use of their nomination rights, include at least two candidates for each position in the proposal for appointment to the Supervisory Board, the General Meeting has to appoint one of the proposed candidates.

Furthermore, the Articles of Association require the affirmative vote of the current majority shareholder Sarabel in respect of reinforced approval matters of the Supervisory Board as long as he holds at least 30% of the ordinary shares.

There are no specific powers for the Executive Board and Supervisory Board to issue or buy back ordinary shares.

### Preference shares

For a period of five years, starting March 22, 2018 the Executive Board, as per Article 6 of the Articles of Association, is authorised to issue preference shares to a foundation (Stichting Continuïteit B&S Group) up to a total number of voting rights, after the issue, of 33.33%. The object of the foundation is limited to the protection of the interests of (i) the Company, (ii) the business connected therewith and (iii) all involved stakeholders. Contravening influence threatening the continuity, the independence or the identity shall be averted as much as possible. The Executive Board may only issue preference shares with the prior written consent of the current majority shareholder Sarabel as long as he holds at least 30% of the ordinary shares. In 2019, no preference shares were issued.

### Share transactions by management

The chart of transactions by persons discharging managerial responsibilities (PDMR), which are members of the Executive Board and Supervisory Board of B&S Group S.A., is available on our corporate website: [www.bs-group-sa.com/corporate-governance/share-transactions-by-management](http://www.bs-group-sa.com/corporate-governance/share-transactions-by-management).

### Major shareholdings

The Dutch Financial Supervision Act and the Luxembourg Transparency law require investors who hold a share interest or voting interest exceeding (or falling below) certain thresholds to (inter alia) notify their interest with the Authority for the Financial Markets (AFM) in the Netherlands and the Commission de Surveillance du Secteur Financier (CSSF) in Luxembourg. This information is included in this Annual Report under the section "Share Information".

### Financial reporting and role of auditor

Annual financial statements as prepared by the Executive Board must be examined by an external certified auditor before being presented to the General Meeting for adoption.

The General Meeting has the authority to appoint the auditor. The Supervisory Board nominates the auditor for (re-) appointment by the General Meeting, taking into account the advice of the Audit and Risk Committee. The auditor's assignment and remuneration are resolved on by the Supervisory Board, on the recommendation of the Audit and Risk Committee.

The external auditor attends Audit and Risk Committee meetings and meetings of the Supervisory Board in which the annual financial statements are to be approved and the year-end audit report of the external auditor is discussed. Half-year results and reports are discussed with the Audit and Risk Committee in the presence of the external auditors prior to publication.

## **Compliance with the Dutch Corporate Governance Code**

As a public limited liability company organised under the laws of the Grand Duchy of Luxembourg, the Group is not subject to the Code. However, we acknowledge the importance of good governance and are committed to comply with the principles as set out in the Code. The Executive Board and Supervisory Board believe deviations or qualifications of some individual provisions of the Code are justified. These deviations or qualifications are explained below.

### **Deviations from the Code**

#### **Independence of Supervisory Board members**

Under the best practice provision 2.1.7 and 2.1.8, three out of five members of the Supervisory Board are considered not to be independent. Two out of five members have had an important business relationship with the company in the past year and one member has a shareholding in the company of at least ten percent. The Group deviates from this provision as it finds it necessary for its Supervisory Board members to have a good understanding of the complex environment in which the company operates.

#### **Establishment of committees**

The Group reserves the right to deviate from provision 2.3.2 for practical reasons. The regulation of committees states that if the Supervisory Board consists of more than four members, it shall appoint an Audit committee, a Remuneration committee and a Selection and Appointment committee. In the period under review, this provision was deviated from as the Selection and Appointment committee and the Remuneration committee were combined to form one committee.

#### **Composition of committees**

The Group reserves the right to deviate from provision 2.3.4 for practical reasons. The regulation of committees states that more than half of the members of committees should be independent within the meaning of best practice provision 2.1.8. In the period under review, this provision was deviated from as regards the Audit and Risk Committee. One out of two members is not independent. (as specified above under Members of the Supervisory Board).

#### **Severance payments**

The Group deviates from provision 3.2.3 for CEO and CFO with regards to the exceeding of the fixed remuneration component in the event of dismissal. Severance payment for CEO and CFO are set at one year's salary and 50% of the applicable annual cash bonus, both for the preceding financial year.

## **Cancelling the binding nature of a nomination or dismissal**

Pursuant to the Articles of Association, shareholder Sarabel and Lebaras have a right to nominate candidates for appointment as members of the Supervisory Board. Pursuant to Luxembourg law, if Sarabel or Lebaras, when making use of their nomination rights, include at least two candidates for each position in the proposal for appointment to the Supervisory Board, the General Meeting has to appoint one of the proposed candidates. In that case, it is not possible under Luxembourg law to set aside the binding nature of the nomination right, which would result in a deviation from best practice provision 4.3.3.

### **Relevant documents on corporate website**

- Articles of Association
- Executive Board Rules
- Supervisory Board Rules
- Charters of Committees
- Profile Supervisory Board
- Bilateral contacts policy
- Code of Conduct
- Whistleblower Policy

[www.bs-group-sa.com/corporate-governance-2/principles-policies/](http://www.bs-group-sa.com/corporate-governance-2/principles-policies/)

## Risk management

B&S Group is a globally operating listed company with a focus on long-term value creation. Being active in many different markets worldwide inherently entails risks, not only in the specific markets we are active in but also with regards to business strategy.

Group wide strategic objectives are defined by the Executive Board and include the encouragement of entrepreneurship and accountability on segmental level. The Executive Board, supported by senior management, has in place a well-embedded risk management and internal control system to

continuously evaluate the degree to which the Group is in control. This helps to identify and mitigate potential risks and to balance risk and reward in line with the Group's risk appetite.

### Risk appetite

In general, B&S Group adapts a conservative approach to risk-taking within an entrepreneurial setting. The risk appetite differs per risk category and is defined as follows:

Risk appetite	Averse	Low	Moderate	High
Strategic			████████████████████	
Operational		████████████████████		
Compliance	████████████████████			
Financial	████████████████████			

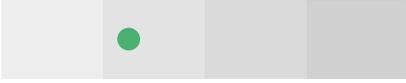
- To achieve **strategic** objectives, the Group accepts associated risks up to a moderate level
- The Group seeks to minimise the risks of **operational** failures within its business processes
- With respect to **compliance** risks, the Group takes a risk averse stance
- **Financial** risks are mitigated through a cautious financing structure and stringent cash management policy

There may be risks or risk categories that are currently identified as not having a significant impact on the business but that could develop into main risks in the future. The objective of the Group's Enterprise Risk Management model ('ERM model') is to timely identify changes in risk profiles so that appropriate measures can be taken. The main risks per category are described below.

### Strategic

Risk	Description	Risk appetite
International nature	The risk that trade protection measures, changes in taxation policies or regulations will negatively impact revenues	████████████████████●████████████████████
Managing growth	The risk that the Group is unable to manage sustainable organic and acquisitive growth	████████████████████●████████████████████
Reputation	The risk of an incident occurring that will harm the B&S Group brand	████████████████████●████████████████████

## Operational

Risk	Description	Risk appetite
<b>IT &amp; Cybersecurity</b>	The risk of critical IT systems being unavailable or not well maintained and of the Group being exposed to cyber crime	
<b>Staff</b>	The risk of not finding qualified people to support our strategy and the business not achieving its full potential	
<b>Inventory</b>	The risk of being unable to manage inventory successfully, leading to tied up capital and eroding margins	

## Compliance

Risk	Description	Risk appetite
<b>Compliance standards</b>	The risk of non-compliance with statutory laws and regulations in applicable jurisdictions or with internal policies and procedures	
<b>Customs &amp; Certifications</b>	The risk of losing any of or authorisations or certifications for our bonded warehouses could have negative impact on revenues	

## Financial

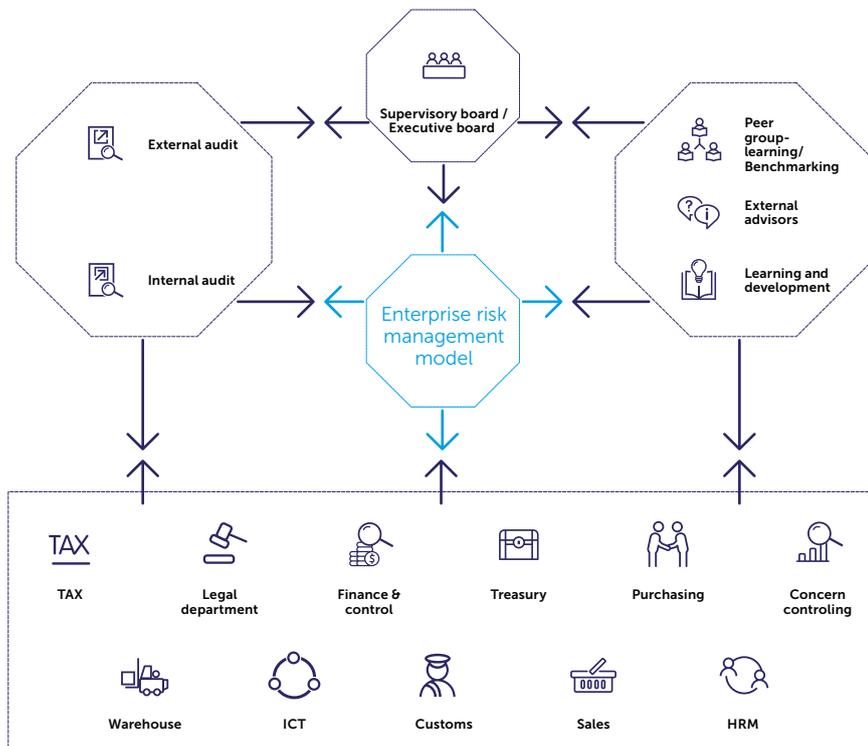
Risk	Description	Risk appetite
<b>Currency</b>	The risk of inadequately monitoring exchange rate risk that leads to exchange rate losses	
<b>Credit</b>	The risk of delayed or failed payment by customers	
<b>Liquidity &amp; Working Capital Management</b>	The risk that the business has insufficient free cash flow to fund its operations and stay within acceptable debt ratios	

**Enterprise Risk Management model**

The Executive Board is responsible for establishing and maintaining adequate internal risk management and control systems. Risk identification is performed both top-down and bottom up, based on the Group’s strategy and the environment in which we operate.

The Group has developed an ERM model which is continuously monitored by the Supervisory Board, Executive Board, Group Finance & Reporting, Internal Audit and segmental management. We involve various internal and external stakeholders in the identification, assessment and monitoring of risks, which fits the Group’s entrepreneurial and hands-on mentality. The risk management model is updated when required in order to reflect changes in either internal or external conditions.

**ERM Model**



## Main risks and control measures

The main risks and control measures are presented below.

### Strategic

Risk type	Description	Mitigation by
International nature of our business	<p>The international scope of our operations, particularly in certain developing countries and emerging markets, exposes the Group to risks related to trade protection measures, changes to taxation policies, changes in regulation, import/export licencing requirements, quotas or wage and price controls.</p>	<p>These risks are mitigated by diversification in markets, product groups, regions and client portfolio.</p> <p>The Group has spread its risk over various niche markets all over the world, making it less vulnerable to decline in specific market segments and / or to geographical risks. Although geographical economic recessions can have some effect, the risk of a disproportionately adverse impact will be limited because of the indicated market diversification and regional spread.</p>
Managing growth	<p>Quality of the Group's growth should always remain sustainable, manageable and well under control. The Group may fail to meet these standards by inefficient organisational aspects or challenging economic market conditions.</p> <p>The Group may fail to acquire other businesses as contemplated by the growth strategy or may fail realise the expected benefits from such acquisitions.</p>	<p>The Group invests substantially in optimisation and digitisation of business processes and compliance procedures, and in expansion of warehousing and storage facilities. The diversification in markets, product groups, regions and client portfolio, makes the business less cyclical and less vulnerable to changing market conditions.</p> <p>Acquisitions are preceded by careful due diligence processes carried out by both internal and external experts to ascertain that an acquisition will provide adequate financial returns and will contribute towards the Group's synergy and integration demands.</p> <p>The added-value and cash flow contributions of intangible assets is tested regularly.</p>
Reputation	<p>The Group's reputation and relationship with suppliers and customers could be harmed by performance failures by internal or external parties in the supply chain, resulting in a loss of sales.</p>	<p>The focus on maintaining long-term partnerships with customers and suppliers makes the Group less vulnerable to reputational damage. The Group is focused on adding value to its partners' businesses by providing service and flexibility, which results in trustworthy relationships.</p>

## Operational

Risk type	Description	Mitigation by
<b>IT and cybersecurity</b>	<p>The Group relies significantly on the integrity, reliability and efficiency of IT systems and on the services of its third-party IT service providers. Inability to find qualified service providers or the failure of service providers to perform their obligations could have a material adverse effect on the business, financial condition and results of operations.</p> <p>With increased digitisation of company processes and cyber criminals becoming increasingly active and sophisticated, the Group considers cybercrime to be a significant IT threat.</p>	<p>The Group has established partnerships with carefully selected IT providers that are acquainted with our business activities and associated needs, and pro-actively implement and continuously optimise the IT systems. The Group maintains a wide range of security measures including access and authorisation controls and back-up and recovery procedures.</p> <p>Additionally, the IT systems and procedures are checked regularly by external experts while potential cyber-attacks on the Group's systems are externally monitored and internally mitigated by various protective measures.</p>
<b>Dependency on key staff</b>	<p>The Group relies significantly on the skills and experience of the managerial staff as well as technical, sourcing and sales personnel. A loss of any key individuals or the failure to recruit suitable managers and other key staff, both for expanding operations and for replacing people who leave the company, could result in an inability to meet customer demand resulting in a loss of customers.</p>	<p>This risk is mitigated by recruiting employees to cover both business growth and fluctuations in employee composition. In order to attract and retain staff, the Group offers a balanced remuneration package and a stimulating workplace offering attractive career opportunities.</p>
<b>Inventory risk</b>	<p>The Group holds sizeable inventory levels with a certain volatility throughout the year. The Group may be unable to manage our inventory successfully resulting in additional tied up capital and eroding margins.</p>	<p>The Group closely monitors inventory through dedicated inventory management departments which are divided into product categories.</p> <p>Critical stress tests are regularly carried out on the theoretical financial boundaries of inventory positions versus equity, covenants and working capital financing.</p>

## Compliance

Risk type	Description	Mitigation by
<p><b>Non-compliance with laws and regulations</b></p>	<p>The Group is subject to various laws and regulations in the jurisdictions in which it operates. Changing laws might interfere with the Group's competitive advantage resulting in a loss of business.</p> <p>Litigation or investigations involving the Group, including those related to the infringement of intellectual property rights of third parties, could result in material settlements, fines or penalties.</p> <p>The business is subject to anti-money laundering, sanctions and anti-bribery laws and regulation and related compliance costs and third-party risks. Breaching these laws and regulations might result in the loss of contracts in our government and defence distribution operations.</p>	<p>Business partners are selected carefully and are only accepted after extensive screening that ensures that the Group's supply chain is transparent, not in breach with any regulations and that the Group is not infringing any intellectual property or trademarks. If deemed necessary, the Group relies on the services of local professional experts for designated compliance areas.</p> <p>Strict internal policies and guidelines regarding business agreements with new suppliers and customers are applied through an extensive Know Your Relation (KYR) procedure. In order to avoid corruption, bribery, fraud and other unethical behaviour, the new relations and their Ultimate Beneficiary Owner(s) are checked with the OFAC and the EU Sanctions list. Throughout the Company there is extensive knowledge of the content and impact of the Foreign Corrupt Practices Act (FCPA) and the UK Bribery Act.</p>
<p><b>Customs and certifications</b></p>	<p>The Group has its own warehouses for storing both bonded and duty exempt goods, which requires extensive licensing and certification as an Authorised Economic Operator (AEO) by the customs authorities. Loss of any of the authorisations or certifications could impact the Group's ability to operate its business, fulfil our obligations towards customers or attract new customers. This may result in a loss of turnover or not realising the growth ambition.</p>	<p>In order to mitigate the risks from customs activities, the Group has its own expanding customs departments staffed by well-trained experts who are in close contact with customs authorities. Staff follows on-going training courses to keep up to date with customs legislation and related developments.</p> <p>The Group is insured against the risks related to its customs activities and adequate customs guarantees have been issued for its activities. The financial consequences of customs related calamities are, therefore, covered as far as possible.</p> <p>Each year, the processes related to our AEO status are audited internally and periodically audited externally. The Group follows strict policies and performs crosschecks on compliance.</p>

## Financial

Risk type	Description	Mitigation by
Currency risks	The Group is exposed to currency exchange rate risk in the conduct of our business. Inadequate monitoring of our positions might lead to exchange rate losses.	The Group deals with risks from transactions in non-Euro currencies by matching incoming and outgoing cash flows as closely as possible in the same currency. Extraordinary currency positions and risks are dealt with at Group level by a dedicated treasury department, which uses hedging instruments when appropriate and on a case-by-case basis to mitigate currency transaction risks. Derivative transactions are subject to continuous risk management procedures. Derivative financial contracts are only entered into with banks that have a good credit rating. In addition, the Group is advised by external parties before entering into a derivative financial contract.
Credit risks	Delayed payment or failure to pay by our customers could have an adverse effect on our business resulting in the company not being able to grow at the desired rate.	The group applies strict internal policies and guidelines regarding credit risk management. All transactions must be secured, either by credit insurance, payment up front or by a secured payment instrument (guarantee or letter of credit). A centralised credit control department is in place to mitigate credit risks.
Liquidity & Working Capital	Any inability to raise capital or to continue the existing finance arrangements could have a material adverse effect on the business, financial condition and results of operations.	The Group's activities are mainly financed on the basis of medium and short-term credit facilities.  The sub segments within the business segments have their own working capital financing, which trigger segment management to maintain control over inventory and debtor positions, which helps towards reducing interest charges. Both short and long-term financing arrangements are discussed and negotiated exclusively at Group level by the Executive Board.  The internal reporting allows for closely monitoring of the operating segments on profitability and compliance with the credit agreements. This also ensures that the companies within the Group are in a position to generate sufficient cash flows for upward dividend streams.

For more details about financial risk management see [note 32](#) in the consolidated financial statements. These notes are considered to be part of this report.

### Internal control activities

Throughout the year, certain selected aspects of the execution, follow up and quality of the design and effectiveness of controls are reviewed by the Group's internal audit function. Priorities for internal audit are defined in dialogue with both the Executive Board and the Audit and Risk Committee of the Supervisory Board. The internal audit function has direct access to both the Executive Board and the Audit and Risk Committee and

presents the results of the internal audit activities during the quarterly meetings of the Audit and Risk Committee. In addition to these reviews, sensitivity analyses are conducted on various scenarios to identify focus areas for uncertainty reduction. These scenarios include the effect of rapid changes in market conditions, changes in gross margin, increases of interest rate and currency fluctuations.

Additionally, benchmark assignments are performed to compare various metrics to peer averages and to identify best practices for individual business segments within the Group.

### **Specific Control Measures in 2019**

In the period under review specific control measures were taken on the following aspects:

#### **Centralisation credit management / KYR controls**

In 2019, we centralised our Know Your Relation and credit management procedures on Group level and assigned a dedicated team, which led to further improvements in our related policies.

#### **Foreign Exchange**

The group holds positions in non-functional currencies derived from purchase and/or sales obligations and forecasted sales in non-functional currencies. These positions are analysed on a daily basis. A significant share of exposure is naturally hedged following opposite positions as the Group uses its bank balance in foreign currency to hedge the net position. Spot buy/sell transactions are initiated on a daily basis to maintain the match between foreign currency exposure and the bank balances. In order to further mitigate risks from FX and eliminate timing differences in reported results, the Group has opted to implement Hedge Accounting following IFRS 9 guidelines as from January 1st, 2019.

#### **Integration Lagaay Medical Group ('LMG')**

Following the acquisition of LMG, an integration project has been initiated in order to onboard the Lagaay-entities on the Group control environment. Additionally, the internal audit function performed an initial review of the processes and related controls within Lagaay in order to further facilitate this onboarding process.

#### **Treasury Management**

In 2019 the Group implemented a Treasury Management System and acquired a BIC address on the SWIFT network, facilitating central management and monitoring of all bank balances and transactions within the Group in a single system. By moving away from bank specific online platforms to a single point of entry, we facilitated harmonisation of user authorisation rights. This implementation contributes to further digitisation of the 'procure to payment' process and provides flexibility to explore optimal financing and cash management combinations.

#### **Compliance awareness**

On the back of continuously increasing compliance standards, an inhouse compliance training was developed by the Group's legal department to keep staff up to date on relevant developments. The first commercial and finance teams have been trained in order to improve awareness with respect to compliance issues and fraud risk whilst a further roll-out of compliance trainings across the organisation is planned for 2020.

#### **Cyber security**

Based on our cybersecurity roadmap, we have executed several actions during 2019 that address cybersecurity topics either directly or indirectly. Migrating the majority of our primary applications to an external data center increased our availability and security setup. Our cybersecurity controls were further improved by implementing cloud-based solutions for office automation, email, and our e-commerce operations. Furthermore, we have continued and expanded our cybersecurity awareness program amongst employees with dedicated project updates and explanatory messaging.

#### **Specific internal control activities planned for 2020**

In 2019, an extensive risk assessment has been performed and discussed by the Executive Board, Supervisory Board and internal audit function. The outcome of the assessment is the basis of the internal audit agenda for 2020. Furthermore, the scope of the internal audit function will be extended with regards to segmental operations in order to more frequently review and assess adherence to the Group's centralised key controls.

## Statement of the Executive Board

The Executive Board has made a systematic assessment of the effectiveness of the design and operation of the internal control and risk management systems. On the basis of this assessment and in accordance with best practice 1.4.3 of the Dutch Corporate Governance Code of December 2016, Article 68ter of the Luxembourg RCS Law<sup>1</sup> and article 3 of the Luxembourg Transparency Law<sup>2</sup>, the aforementioned assessment and the current state of affairs, to the best of its knowledge and belief, the Executive Board confirms that:

- the internal risk management and control systems of the company provide reasonable assurance that financial reporting does not contain any material inaccuracies;
- there have been no material failings in the effectiveness of the internal risk management and control systems of the company;
- there are no material risks or uncertainties that could reasonably be expected to have a material adverse effect on the continuity of the Groups' operations in the coming twelve months after drawing up the report, and;
- drawing up the financial reporting on a going concern basis is justified based on the current state of affairs.

It should be noted that the above does not imply that these systems and procedures provide absolute assurance as to the realisation of operational and strategic business objectives, or that they can prevent all misstatements, inaccuracies, errors, fraud and non-compliances with legislation, rules and regulations. Nor can they provide certainty that we will achieve our objectives.

In view of all of the above, the Executive Board declares that, to the best of its knowledge and belief, the financial statements presented in this annual report and prepared in accordance with IFRS standards give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and of the undertakings audited in the consolidation taken as a whole; and that the management report includes a fair review of the position at the balance sheet date and the development and performance of the business during the financial year and of the undertakings audited in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that the company faces.

Mensdorf, G.D. Luxembourg, February 23, 2020

### **Executive Board**

Bert Meulman, CEO  
Gert van Laar, CFO  
Bas Schreuders, Senior Counsel  
Niels Groen, Finance Director

<sup>1</sup> Law of 19 December 2002 on the register of commerce and companies and the accounting and annual accounts of undertakings, as amended.

<sup>2</sup> Law of 11 January 2008 on transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market, as amended.

## Share information

B&S Group SA shares have been listed on Euronext Amsterdam since March 23, 2018 and have been included in the Smallcap Index (AScX) since June 19, 2018.

The issued share capital as at 31 December 2019 amounts to € 5,050,639.26. This is divided into 84,177,321 issued Ordinary Shares each with a nominal value of € 0.06.

### Key share information

ISIN	LU1789205884
Euronext ticker	BSGR
Number of shares outstanding	84,177,321
Free float	31.2%

### Key figures per share

EPS	€ 0.56
Interim dividend per share	€ 0.13
Dividend yield	2.3%
Highest price	€ 14.97
Lowest price	€ 9.21
Year-end share price	€ 9.60

### Dividend policy

Barring unexceptional circumstances, B&S Group aims to distribute a dividend of between 40-60% of annual Group results attributable to the owners of the company, starting at the lower end of the target range. We envisage increasing dividends per share over time within the set target range.

The current dividend policy is to pay out in two semi-annual instalments, the first part in the fourth quarter of the year in question and the remainder in the second quarter of the following year, following shareholder approval of the full-year financial statement.

For practical reasons, the Group will propose to the shareholders in the May 19, 2020 Annual Meeting to shift from semi-annual payment of dividend to an annual payment. Subject to approval, this change will be effective from 2020 onwards, where a year-end dividend pay-out for the FY 2020 period is anticipated in H1 2021. The earlier indicated dividend policy will further remain intact.

### Dividend proposal 2019

The proposal to distribute a dividend of € 0.22 per share with of a nominal value of € 0.06 shall be submitted to the General Meeting of Shareholders of May 19, 2020. This corresponds with a pay-out ratio of 40% of the Group results attributable to the owners of the Company. The proposal has been approved by the Supervisory Board.

### Notification of capital interests

On 31 December 2019, the following shareholders with a substantial participating interest (>3%) are registered with the Dutch Financial Markets Authority AFM in accordance with the Dutch Financial Supervision Act.

Sarabel Invest S.à r.l	51.72%
Lebaras Belgium BVBA	16.90%
Mondrian Investment Partners Ltd	5.18%

### Financial Calendar

Q1 2020 trading update	May 18, 2020
Annual General Meeting	May 19, 2020
HY 2020 results	August 24, 2020
Q3 2020 trading update	November 9, 2020

### Investor relations policy

B&S Group provides shareholders and other parties in the financial markets with information on matters that may influence the Company's share price via an annual report and an interim report, Q1 and Q3 trading updates and press releases. These documents are published on the B&S corporate website and submitted to the AFM (the Netherlands) and CSSF (Luxembourg).

B&S Group has a compliance officer who monitors and enforces strict compliance with any and all relevant laws and regulations. Together with the Executive Board and the Disclosure Committee, the compliance officer assesses whether and when information is price-sensitive and whether a disclosure obligation applies to said information. These regulations apply to both the Supervisory Board and the Executive Board, but also to the management layer below the Executive Board and all head office staff who come into contact with price-sensitive information.

### Investor contact

B&S Group communicates with its investors and analysts throughout the year via meetings such as AGMs, roadshows, organised site visits and broker conferences. The company holds regular investor calls and meetings to provide the investment community with a well-balanced and complete picture of the performance, opportunities and challenges the company faces, while taking into account insider trading and the equal treatment of shareholders.

### General meeting

General Meetings of Shareholders are convened in accordance with the provisions of the Luxembourg law of May 24, 2011 on the exercise of certain rights of shareholders in general meetings of listed companies and the Articles of Association. The General Meeting of Shareholders will be held on May 19, 2020 in Luxembourg.

Contacts with the capital markets are dealt with by the members of the Executive Board and the Investor Relations Manager.

### Independent analyst reports

The following analysts covered B&S Group in the course of 2019:

ABN AMRO	Robert Jan Vos
Deutsche Bank	Lucas Ferhani
ING	Tijs Hollestelle
Kepler Cheuvreux	Patrick Roquas
Morgan Stanley	Annelies Vermeulen

Customs

# compliance

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Customs compliance

Material topic 1



Sustainable value chain

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