PILLAR III REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

CAPITALATWORK FOYER GROUP S.A.

CapitalatWork Foyer Group SA
12, rue Léon Laval
L-3372 LEUDELANGE
LUXEMBOURG
Registre de Commerce et des Sociétés Luxembourg: B 78 769

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1. General Information

1.1. Introduction

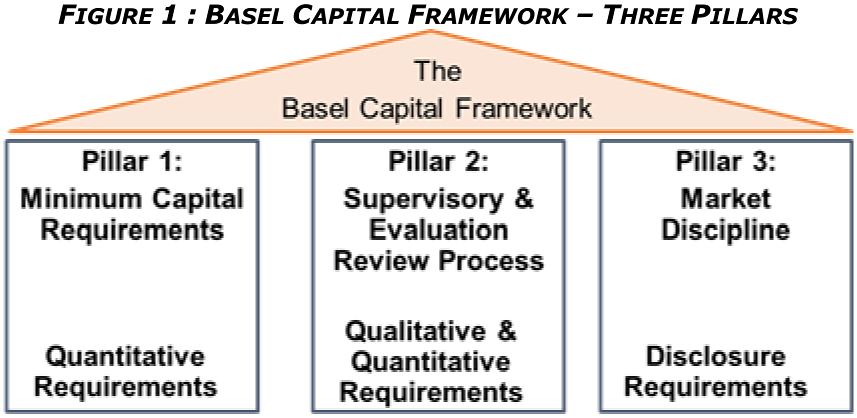
The purpose of this document is to give the various parties stakeholders, including investors, analysts, rating agencies and control bodies, in-depth information on CapitalatWork Foyer Group S.A. (namely "The Company") risk management. The document shall in particular inform on the capital adequacy, the own funds, the risk assessment methodologies, the level of risks and the remuneration policy of the Company.

This document has been prepared in accordance with the Pillar III disclosure requirements included in Basel III. Basel III has been transposed into European law through Regulation (EU) No. 575/2013 on prudential requirements for credit institutions and investment firms (also known as "Capital Requirements Regulation" or "CRR"). The legislation was published on 27 June 2013 and fully entered into force on 17 July 2013. The report is also published in compliance with Luxembourg national transposition regulations, regulation 18-03 and circular 14/583, issued by the national supervisory body CSSF taking into account Guidelines from the European Banking Authority (EBA).[1]

The Pillar III encourages the market discipline through the publication of information that allows the market participants to assess the level of risk, the risk management framework and the capital adequacy of institutions.

The illustration bellows describes the Basel Capital Framework and its three pillars:

FIGURE 1 : BASEL CAPITAL FRAMEWORK – THREE PILLARS



The Company's publications under Pillar III are additional to the information provided by the Company in its annual accounts. The reader is therefore invited to consult the audited annual accounts of the Company to have more qualitative and quantitative information on related topics to risk management.

[1] In particular EBA/GL/2017/01, EBA/GL/2016/11 and EBA/GL/2015/22, EBA GL/2017/01, EBA GL/2014/14, EBA GL/2014/03, CIR 1423/2013, CDR 2015/1555, respectively adopted by the CSSF in its Circulars 18/676, 17/673 and 17/658.

1.2. The Company's scope of activities

CapitalatWork Foyer Group S.A. is a company governed by the law incorporated on 9 November 2000 as a public limited company under the name of CapitalatWork Group S.A.

The Company's purpose is to carry out all transactions relating to the activity of professionals in the financial sector authorised by the law of 5 April 1993 on the financial sector, as amended. It may also, in the Grand Duchy of Luxembourg and abroad, on behalf of third parties, carry out transactions relating to the activity of advising on investment, financial instrument broker, commission agent and asset manager, as a distributor of UCI units with the possibility of accepting and making payments and as registrar.

The Company may carry out any operations of any kind, generally of a commercial nature, industrial, financial, movable or immovable property that may be directly related to or indirectly to its corporate purpose or likely to facilitate its realization and development.

1.3. Scope of Application (Art. 13, 431 and 436 CRR)

The Company has adopted a policy to comply with the disclosure requirements of CRR part eight.

The Pillar III report contains the information of the Company as of 31 December 2019 on a consolidated basis. The consolidated accounts of the Company include the following subsidiaries (together referred to as the "**Group**"):
- CapitalatWork S.A. located in Bruxelles, Belgium and owned at 100% (hereinafter "CAW SA").
- Immo at Work S.A. located in Bruxelles, Belgium and owned at 100%.
- CapitalatWork Management Company S.A. located in Leudelange, Luxembourg and owned at 100% (hereinafter "ManCo"). The activities of the ManCo have been outsourced to Lemanik Asset Management since December 2019.

1.4. Frequency and location of disclosure (Art. 432 and 433 CRR)

The Company publishes the Pillar III disclosure report on an annual basis.

The report will be published on the Company's website (https://www.capitalatwork.com) and will not be subject to external audit, except to the extent that any disclosures are equivalent to those made in the annual accounts.

1.5. Materiality (Art. 432 CRR)

According to CRR Art. 432 (1) institutions may omit one or more of the disclosures if the information provided by such disclosures is not regarded as material, except for the disclosures laid down in Art. 435(2)(c), Art. 437 and Art. 450. Those articles respectively refer to Risk management objectives and policies, own funds and remuneration policy.

Information is not material if its omission or misstatement could not change or influence the assessment or decision of a user relying on that information for the purpose of making economic decisions.

1.6. Proprietary or confidential information (Art. 432 CRR)

According to CRR Art. 432(2) institutions may omit one or more items of information included in the disclosures listed in Titles II and III if those items include information which is regarded as proprietary or confidential, except for the disclosures laid down in Art. 437 and Art. 450.

Information shall be regarded as proprietary to institutions if disclosing it publicly would undermine its competitive position. It may include information on products or systems which, if shared with competitors, would render an institution's investments therein less valuable. Information shall be regarded as confidential if there are obligations to customers or other counterparty relationships binding an institution to confidentiality.

Where information has been omitted from these disclosure in relation to the CRR Art. 432, this has been stated in the relevant sections.

2. Governance and Risk Management Framework

2.1. Governance Framework (Art. 435 CRR)

To ensure the effectiveness of the Company's risk management framework, the Board of Directors (hereinafter "BoD") and senior management have established the "Three lines of Defence" model, which is in line with the provisions of CSSF Circular 12/552 and articles 35 – 40 of the Belgian Law of 25 April 2014.

- First line of defence: functions that own and manage risk ;
- Second line of defence: functions that oversee the risk across the company and that is specialised in risk management, compliance ;
- Third line of defence: functions that provide independent assurance, above all internal audit.

Board of Directors (BoD)

The Company's BoD is responsible for:

- Determining the risk profile and tolerance (Risk appetite) within the Group;
- Setting the strategic risk management objectives;
- Assigning related economic capital.

Table 1: Number of directorships held by members of the management

Board member	Number of directorships held (including intragroup directorships)
Michel Tilmant (Chairman)	10
François Tesch	8
Maarten Rooijakkers	5
Claude Eyschen	2
Marc Lauer	11
Jean-François Schock	6
Philippe Van de Vyvere	43
Roland Gillet	3
Roland Kuhn	30
Nathalie Worré	3

Executive Committee (EC)

The EC is responsible for:

- Documenting and communicating the group risk management policies (and the related capital planning principles);
- Annual approval of the Risk Management framework (as defined below) based on the reporting by the Risk Management department;
- Ensuring adequate internal control systems are in place, with relevant segregation of duties, in order to prevent conflict of interest;
- Promoting high ethical and professional standards and a strong internal control culture;
- Setting acceptable levels of risks and insuring that local entities managers take the actions needed to implement the Risk Management framework within entities.
- Assigning adequate resources and funds to Risk Management.

Audit, Compliance and Risk Committee

The BoD of the Company is assisted by a specialised committee, the Audit, Compliance and Risk Committee ("CARC"). The CARC meets at least three times a year, and any time deemed necessary, to discuss various topics in the fields of:

- Financial information;
- External audit;
- Internal audit;
- Compliance;
- Risk management.

Office Managers

Office Managers are responsible for:

- Implementing group Risk Management policies and decisions with local entities of the Group;
- Ensuring adequate Risk Management. They have the primary responsibility for the day-to-day management and control of risks within their areas of the business;
- They are responsible of implementing the Risk Management strategy, policy and framework and of setting effective and efficient systems of internal control, including financial, operational, compliance and Risk Management within their entity.

Risk Management department (RM)

The RM department is part of the Internal Control infrastructure within the Company. The RM department constitutes the structure necessary to identify, measure and manage the group-wide risk exposures. Through this process, RM department monitors compliance within the overall RM policy and ensures that the framework is up-to-date.

Risk management is responsible for defining the Risk Management framework:

- Performing group-wide risk assessment;
- Developing necessary action plans and dashboards;
- Coordinating RM standards within the Group;
- Aggregating, assessing, monitoring and reporting risks exposures;
- Reviewing new product/activity proposals;
- Supervising compliance of activity with the risk governance framework and RM standards;
- Providing advice on risk related questions;
- Maintaining relevant contacts with internal and external auditors on risk related issues.

The RM department is composed of three full-time employees including Mrs. Sylvie Lanari who is the Chief Risk Officer of the Company.
The Chief Risk Officer reports hierarchically to the EC. However, the Chief Risk Officer may communicate directly and on its own initiative with the BoD, with the CSSF or BNB (Belgian regulator) and with the external auditor. When the RM considers that the safe management of the business is compromised, it shall inform as soon as possible the EC and the BoD.

Internal Audit Function

The mission of the Internal Audit is to examine and evaluate the effectiveness of the governance, risk management and control processes of the Group and recommend solutions for optimizing them in order to provide perceived added value.
The objectives, powers, responsibilities, positioning within the organization, the modus operandi and the fundamental principles of the internal audit function are defined in the Company's Internal Audit Charter.

The purpose of Internal Audit is to provide reasonable assurance that:

- The objectives as defined by the BoD will be achieved;
- Resources are used efficiently and effectively;
- Risks are managed and the assets of the company are protected;
- Financial information and reporting is reliable and complete.

Philippe Corbeel acts as Head of Internal Auditor within the Company.

Compliance Function

The Compliance function is performed by Herman Coppens, Chief Compliance Officers of the Company who coordinates Compliance within the Group.

Emilie van Eyll is in charge as Compliance Officer for CapitalatWork S.A.

Mr. Robert Pegels, executive director of CapitalatWork S.A., is within the EC responsible for compliance in CapiatatWork S.A. and the Company.

The Compliance activity is subject to the principles set out in the compliance charter of the Company.

The Compliance function has an organisational, coordination and monitoring function.

The main missions are:

✓ Anticipation, detection and risk assessment Compliance; and,
✓ Assistance in controlling these risks.

To execute this mission, Compliance function designs policies to meet the requirements of regulatory authorities and oversees their application. The implemented policies relate to a.o. the anti-money laundering, counter terrorist financing, the fight against market abuse, the protection of investors.

The Compliance function regularly monitors the correct application of the Compliance policies and procedures. These monitoring takes the form of regular assessments and controls of compliance risk.

Compliance function assists and advises the EC of the Company on the application of current and future standards and informs/trains employees and other departments on the development of regulations and policies.
The Compliance function is involved in internal governance, under the responsibility of the BoD. It participates in the safe and prudent management of the Company's activities as the second line of defence.

The Chief Compliance Officer of the Company reports to the EC and the CARC and if necessary directly to the BoD. Compliance function is the point of contact for the regulatory authorities.

2.2. Risk Management Framework (Art. 435 CRR)

According the Circular CSSF 12/552 as amended and the Risk Management Policy of CapitalatWork, the BoD shall decide on acceptable types and associated levels of risk appetite in relation to the objectives of the Company.

The Group manages risk in accordance with the RM strategy developed by the BoD and ensures consistency of its approach through an integrated RM framework described below.

The enterprise-wide RM framework, including the risk identification, measurement, follow up and management functioning, is responsive to the nature of the challenges that the Company is confronted with, as it engages in different activities as well as in distinct geographic locations and legal entities.

The RM department will maintain objectivity and confidentiality at any time, in each of its missions and controls.

This approach should provide the local and group management with the assurance that risks are managed in accordance with the group risk strategy and objectives and overall risk appetite. More specifically, the RM framework includes the following pillars and guidelines:

1. Risk Mapping
Every three years, the RM department coordinates a group-wide risk assessment exercise. Every year, the RM department updates the risk assessment if necessary within its regular reports. Group Executive Committee (EC) validates results and subsequent yearly updates.
The risk mapping consists in a risk self-assessment by a panel of staff and management. Main output is a hierarchy of top risks, which is the basis for the development of a further action plan and monitoring dashboards, if necessary.

2. Risk Management action plan
The risk mapping and the RM department professional judgment enable to establish a global RM action plan. This action plan defines a number of RM areas and pain points where RM should focus within the year.

This plan is indicative and is updated every year by the RM department before being submitted to the Group EC for information and comments.

3. Risk Management guidelines and restrictions – Investment funds
The Company investment funds need to comply with RM investment guidelines (developed with the Asset Management Department - AMD) and are under the supervision of the EC. These guidelines come in addition to the legal investment restrictions disclosed in the prospectus and in the applicable laws.

4. Risk Management guidelines and restrictions-Private clients

Internal RM guidelines also govern the private client portfolios management. Similarly to Investment funds, the RM department and the AMD develop those guidelines together and need to be respected by the asset managers.

5. Company liquidity risk

The Company applies a prudent liquidity policy which ensures an efficient liquidity risk management, through cash monitoring procedures and reporting. The Company cautiously selects counterparties and depositaries and assesses their quality on an ongoing basis. Cash allocation strategy ensures an effective monitoring of short and long term liquidity needs. For instance, the cash is invested in short-term deposits and certificates or is placed on current accounts. Management, through a Treasury Committee, continuously follows up the liquidity management. The Company liquidity risk is assessed in the ICAAP report.

Having regard to the current nature, size and complexity of the Company's activities, the Board considers the current risk management measures to be appropriate and in line with the current risk profile and risk strategy of the Company.

2.3. Risk reporting

The article 435 (1)(c) of the CRR requires financial institutions to describe their risk reporting and measurement systems. The table below illustrates the different risk reporting that circulates around the company and its departments:

TABLE 2 : RISK REPORTING WITHIN CAPITALATWORK

Report’s name	Frequency	Written by	Intended for
ICAAP	Yearly	RM	CSSF and CACRM
LFR	Yearly	External auditors (supervised by Finances)	CSSF and CACRM
Recovery Plan	Every two years	RM	BNB
Internal Control Function report	Yearly	RM / Compliance / Internal Audit	CSSF and BNB
Stress tests results	Semi-annually	RM	CSSF

2.4. Risk Appetite

The BoD shall decide on acceptable and not acceptable types of risk. As a general guideline, the BoD shall accept risks which are within the agreed risk appetite by type of risk. Risks exceeding the decided level of risk appetite shall not be accepted.

The Company considers its risk appetite as a proprietary information and opts therefore for non-disclosure in accordance with CRR Art. 432(2).

2.5. Recruitment policy (Art. 435 (2)(b))

The Foyer S.A. Remuneration and Nomination Committee acts for The Company.
The Committee ensures a succession plan for the BoD as well as for the EC. At the age of 70, most members of the BoD resign from their position.
The committee ensures that the composition of the EC and the BoD is in line with The Company’s area of activity.

Table 3: Composition of the Remuneration and Nomination Committee

Members of the Remuneration and Nomination Committee
Romain Becker (Chairman)
François Tesch
Michel Tilmant
Nathalie Worré
Benoît Dourte, (Secretary)

2.6. Diversity policy (Art. 435 (2)(c))

The Remuneration and Nomination Committee ensures diversity in the competences of the Board members. The Committee aims at ensuring there is a combined expertise in finance, economics and law, employed in different functions within The Company.

Another important criterium for the Committee is the experience in management functions in other companies.

3. Own Funds (Art. 437 CRR)

The aim of capital management is to guarantee the Company's solvency and sustain its profitability, while ensuring compliance with internal capital objectives and regulatory capital requirements.

The Company's supervisor, the Commission de Surveillance du Secteur Financier (CSSF) sets and monitors its capital requirements. Additionally, the capital requirements of CapitalatWork S.A. are monitored by the BNB. According to applicable regulations relating to capital adequacy, financial institutions are required to dispose of sufficient capital resources to cover different types of risks.

With effect from 1 January 2008, the Company is complying with the provisions of the Basel 2 framework in respect with regulatory capital. The Company is following the standardised approach for credit risk and the basic indicator approach for Operational risk exposure in order to calculate the Basel 2 Pillar I minimum requirements. Luxembourg and Belgium have adopted and implemented the Capital Requirements Regulation and Directive – CRR/CRD IV (Regulation (EU) No 575/2013). As such, The Company is subject to the Basel 3 requirements as implemented in the regulation.

Table 4: Reconciliation of Common Equity Tier 1 between prudential and accounting view

	Capital	
(in €)	**Prudential view**	**Accounting view**
Paid up capital instruments	15,515,280	15,515,280
Previous years retained earnings	8,383,833	8,383,833
Profit or Loss	0	13,914,175
Other reserves	18,002,622	18,002,622
Goodwill & other intangible assets	-5,669,540	0
Total equity	**36,232,195**	**55,815,910**

Pursuant to CRR article 36 and 37 the Company has deducted its year-end profit, the goodwill and the other intangible assets from its own funds. However, the accounting view is different than the prudential view as the year-end profit is taken into consideration and the other intangibles and the goodwill are not deducted.

The Company's own funds solely consists of Tier 1 capital. Tier 1 capital includes the paid up capital instruments, the previous years retained earnings, and the other reserves.

TABLE 5 : OWN FUNDS OF THE COMPANY AS OF 31 DECEMBER 2019

Own funds disclosure template (in € thousands)			Regulation (EU) No 575/2013 Article Reference
Common Equity Tier 1 (CET1) capital: Instruments and reserves			
1	Capital instruments and the related share premium accounts	15,515,280	26 (1), 27, 28, 29
	of which: Share capital	15,515,280	EBA list 26 (3)
2	Retained earnings	8,383,833	26 (1) (c)
3	Accumulated other comprehensive income (and other reserves)	18,002,622	26 (1)
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	41,901,735	Sum of rows 1 to 5a
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
8	Intangible assets (net of related tax liability) (negative amount)	(5,756,846)	36 (1) (b), 37
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	(5,756,846)	Sum of rows 7 to 20a, 21, 22 and 25a to 27
29	Common Equity Tier 1 (CET1) capital	36,144,889	Row 6 minus row 28
45	Tier 1 capital (T1 = CET1 + AT1)	36,144,889	Sum of row 29 and row 44
59	Total capital (TC = T1 + T2)	36,144,889	Sum of row 45 and row 58
60	Total risk weighted assets	137,181,817	
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	26.35%	92 (2) (a)
62	Tier 1 (as a percentage of total risk exposure amount)	26.35%	92 (2) (b)
63	Total capital (as a percentage of total risk exposure amount)	26.35%	92 (2) (c)

64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus systemically important institution buffer expressed as a percentage of risk exposure amount)	2,743,636	CRD 128, 129, 130, 131, 133
65	of which: capital conservation buffer requirement	2,743,636	

3.1. Description of Equity items

The Company's regulatory capital consists only of Tier 1 capital, which includes the paid up capital instruments, the previous years retained earnings and the other reserves. The Company is not a listed company.

4. Capital requirements (Art.438 CRR)

4.1. Pillar I Capital requirements

In conformity with Regulation (EU) 575/2013, The Company's total own funds must equal at least 8% of the Capital Requirements for Operational Risk (see 6.5.), Credit Risk (see 6.1.) and Market Risk (see 6.4) multiplied by 12.5.

The Company is calculating its capital requirements in accordance with the CRR requirements (laid down in Part III, Title, II, chapter 2) by adapting 8% of the risk-weighted exposure amounts for each of the exposure classes specified in article 112. The minimum capital requirements (8% of risk-weighted assets) disclosed according to their computation method are shown in the following table.

Table 6: Breakdown of Pillar I capital requirements

Overview of RWAs (in € thousands)			**RWAs Q4 2019**
	1	Credit risk (excluding CCR)	45,389,217
Article 438(c)(d)	2	Of which the standardised approach	45,389,217
Article 438(e)	19	Market risk	4,435,030
	20	Of which standardised approach	4,435,030
Article 438(f)	23	Operational risk	87,357,570
	24	Of which basic indicator approach	87,357,570
	29	**Total**	**137,181,817**

4.2. Pillar II capital requirements

4.2.1. ICAAP Framework

The ICAAP is defined by the directive 2013/36/EU as a set of "[…] sound, effective and comprehensive strategies and processes to assess and maintain on an ongoing basis the amounts, types and distribution of internal capital that they consider adequate to cover the nature and level of the risks to which they are or might be exposed".

The Company's ICAAP is based on the Circular CSSF 07/301 as amended by Circulars CSSF 08/338, CSSF 09/403, CSSF 11/506 and CSSF 13/568 on the implementation of the Internal Capital Adequacy Assessment Process (ICAAP).

The ICAAP report identifies and quantifies all the risks to which the Company is or could be exposed, according to its business model, its strategy and the economic and regulatory environment under which the Company operates. The inventory of risks is reviewed during the yearly ICAAP process in cooperation with all functions within the Company and could be expanded if new risks are identified.

Once the risks are identified, measured, managed and reported, the company is able to better control them and assess internal capital needs. This capital must be sufficient in quantity and quality in order to absorb any losses. Therefore, the ICAAP should consider the current situation of the Company but should also be forward-looking in order to ensure the internal capital adequacy on an ongoing basis.

Therefore, the ICAAP process can be divided into three main steps:

1. Risk identification
2. Risk measurement
3. Internal Capital needs assessment

Identified relevant risks are categorised according to the probability of a negative event occurring. The Risk Management department and the Group Executive Committee limit measurement to major risks only. The RM department has many tools at its disposal in order to measure the identified risks, such as loss reports, stress tests, key risk indicators and qualitative judgement. The Company applies three different crisis scenarios in order to estimate the most negative potential risk.

The financial impact consists of the actual direct adverse effect of the event, and the possible cost of rectifying the situation (if/when applicable).

4.2.2. Risk Overview

The table below summarises the ICAAP relevant risks and how they are categorised. As explained above, The Risk management department and the Executive committee limit measurement to major risks only. The ICAAP ongoing process is annual and the risks identified in 2019 remained the same as the major risks identified in 2018.

TABLE 7 : ICAAP RELEVANT RISKS

Risk inventory	Corresponding Basel pillar
Credit risk	Pillar I global risk
Market risk	Pillar I global risk
Operational risk	Pillar I global risk
Liquidity risk	Pillar II global risk
Settlement risk	Pillar II global risk
Pricing risk	Pillar II global risk
Concentration risk	Pillar II global risk
Counterparty & depositary risk	Pillar II global risk
Reputation risk	Pillar II global risk
Complex product risk	Pillar II global risk
Asset outflows risk	Pillar II global risk
Compliance risk	Pillar II global risk
Legal risk	Pillar II global risk
Business & Strategy risk	Pillar II global risk

Please note that further information on the identified risks, related capital requirements and risk management techniques are provided in Section 6 “Inventory of risks” below.

5. Capital buffers (Art.440 CRR)

According to Article 440 (1)(a) and (b) the Financial Institution has to disclose its compliance with the requirement for a countercyclical buffer referred to in Title VII, Chapter 4 of EU 2013/36.

Qualifying as small and medium-sized enterprise as per Article 59-1(1) of the Law of 5 April 1993 on the financial sector, the Company is exempted from the requirement to maintain a countercyclical capital buffer and a capital conservation buffer.

6. Inventory of risks

6.1. Credit risks (Art. 442 of CRR)

6.1.1. Credit risk management framework

Credit risk is the risk that a third party does not meet its obligations in accordance with the agreed terms. Acting as an investment firm, the Company does not have an activity of credit lending and is not exposed to a credit risk as high as banks.

Credit risk for the Company consists in the risk of default from its counterparts. The risk is however deemed sufficiently mitigated by virtue of mitigating measures in place at different levels of the Company:

- At Company’s level, the main credit lines are opened with the Company own funds and controls are regularly performed by the Finance department.

- Controls are also in place at client and funds level. For instance the management fees due by the clients are booked in advance, there is a regular monitoring by the Finance department and the risk management department controls clients cash debit on a monthly basis.

6.1.2. Capital requirements for credit risk

The residual risk (after mitigating control) is insignificant and the estimated frequency of occurrence is very low. For those preceding reasons, no internal capital requirement is needed for credit risk.

6.1.3. Asset portfolio (Art. 438 of CRR)

The total amount of exposures as of 31 December 2019 and the average exposure amount for the period 2019 broken down by exposure classes as well as computing approach are shown in the following table:

Table 8 : The Company's exposure to credit risk as of 31 December 2019 and 2019 average

(in millions)	Net exposure at the end of the period	Average net exposure over the period
Central governments or central banks	2,288,210	2,318,195
Corporates	0	114,208
Covered bonds	0	0
Claims on institutions and corporates with a short-term credit assessment	47,096,689	41,929,276
Collective investment undertakings (CIU)	11,066,100	12,280,044
Other exposures	19,571,354	12,413,566
Total SA approach	80,022,352	69,055,289
Total	**80,022,352**	**69,055,289**

The total amount of exposures broken down by their exposure classes and maturity as of 31 December 2019 are shown in the following table:

Table 9 : Maturity breakdown of exposures as of 31 December 2019

Maturity of exposures	Net exposure value					
(in millions)	On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
Central governments or central banks	0	0	2,3	0	0	**2,3**
Claims on institutions and corporates with a short-term credit assessment	47,1	0	0	0	0	**47,1**
Collective investments undertakings	0	0	0	0	11,1	**11,1**
Other exposures	0	0	0	0	19,6	**19,6**
Total	**47,1**	**0**	**2,3**	**0**	**30,7**	**80,0**

6.1.4. Past due and impaired exposures (Art.442 of CRR)

Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows of the asset that can be estimated reliably.
As at 31 December 2019, the Company does not have any past due or impaired exposures.

6.1.5. Use of ECAIs (Art 444 of CRR)

The Company does not use rating agencies for credit risk calculation purpose. This section is therefore not applicable.

6.2. Counterparty & Depositary risk

The depositary risk is the risk that a depositary goes bankrupt which would result in losses of assets. This risk does not have any regulatory capital requirement related. The economic capital requirement should be based on the estimation of the risk of default of the average deposit of the company. A reporting on the commitment per counterparty is produced on a daily basis. The risk management department (once a year), the treasury committee (quarterly basis) and the market desk (daily) are in charge of monitoring that risk.

This risk is major for the Company and many controls and measures are in place in order to mitigate it, such as:

- Prudent policy when selecting counterparties;
- Yearly review of accepted counterparties;
- On-going proactive assessment on counterparties by the Treasury committee;
- Active treasury monitoring policy in terms of cash allocation and re-allocation between depositaries with the supervision of the treasury committee;
- Authorized brokers list in force;
- Lending securities fully collateralised, etc.

As the monitoring is very active and based on the principle of risk repartition and diversification, The Company has never faced default counterparts and depositaries in the past.
The Company's internal maximum cash limit is EUR 10,000,000[2] for BIL, ING and KBC.
The Company decided to attribute a risk of 10% and to allocate a maximum capital requirement of 1 million EUR.

6.3. Concentration risk

The CEBS defines concentration risk in its guideline (GL31) as exposures that may arise within or across different risk categories throughout an institution with the potential to produce losses large enough to threaten the institution's health or ability to maintain its core operations; or as a result in a material change in an institution's risk profile.
In order to mitigate concentration risk, some actions are effectuated at different levels of the Company:

At the Company Funds level:

- Implementation of internal investment guidelines limiting concentration of funds investments.

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[2] EUR 9,000,000 for CAW SA

- Implementation of regulatory investment restrictions limiting concentration of funds investments.
- Automated ex-ante control of guidelines and restrictions on each new investment instruction.
- Daily ex-post control of funds compliance with guidelines and restrictions by RM department.
- Regular reporting from RM on issuer positions (individually and consolidated).

At Clients level:

- Periodic review of counterparts and depositaries.
- Daily and weekly monitoring of client concentration and company cash by the Market Desk with supervision of the Management.
- Periodic review of clients' revenues by the Finance department.

Despite the strong control environment, the residual risk is significant but the estimated frequency of occurrence is close to zero.

The risk management department estimated the concentration risk through two criteria's:

1. The revenues of the 10 largest private clients
2. The potential loss in case of a CRM departure

Internal capital requirement calculation is based on those two assumptions:

1. The annual revenues of the 10 largest private clients are estimated at 8.02% of the global revenues of the Company
2. Based on the assets as per Client Relationship Manager (CRM), we calculate the average loss of income in case of a loss of 40% of the clients of a CRM.

According to those estimations, the maximum capital requirement allocated by the Company is 1.7 million EUR.

6.4. Market risk (Article 445 CRR)

Market risks are the risks that market prices fluctuations, such as interest rates, equity prices, foreign exchange rates and credit spreads will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Overall authority for market risks is vested in the Risk Department, which is responsible for the development of market risk management policies (subject to review and approval by the BoD) and for the day-to-day review of their implementation.

In 2015, the Company decided to apply a new methodology to assess the market risk of the Company. The estimations are based on reports from PriceWaterhouseCoopers that simulate the impacts of scenarios on the Company funds (major investment of the assets under management) and on their TAA (Tactical Asset Allocation). These stressed situations provide a dynamic view that is not considered in the risk assessment in Pillar I or II. Therefore, the Risk Management provides the Management with an enlarged information to decide the adequate capital allocation.

The Company considers market risk as a major risk and applies the following mitigating controls:

At the company level:

- The investment strategy for its own account is limited to bonds or house funds. No trading book.

At the clients and funds levels:

- The AMD applies a vigilant and prudent investment strategy towards Clients and fund investments resulting in investments mainly limited to listed equities, highly rated corporate fixed income and high quality government bonds.
- The RM department regularly watches out clients and fund investments with a higher risk profile.
- Minimum Investment grade rating for fixed income securities.
- Reporting about issuers positions are regularly provided by Risk Management.
- No open architecture.

To assess the market risk, RM decided to apply scenarios of market down movements on own funds representing the main investment of the assets. A simulation on direct investments enable to measure the impacts of those scenarios on fixed income funds, on securities investments and on interest rates. RM has 16 scenarios and the most affecting one has been used to compute the internal capital requirement (Asian Market slowdown May-October 2008). A capital requirement of 4,8 million EUR has been allocated in the ICAAP process:

This table below gives a comparison of the Risk weighted exposure of the Market risk with the capital requirements under the Pillar 1 of the CRR.

TABLE 10 : EXPOSURE TO MARKET RISK

Pillar 1 (standardised approach)	RW exposures	Capital Requirements
Outright products		
Interest rate risk (general and specific)	0	0
Equity risk (general and specific)	0	0
Foreign exchange risk	2,085,013	166,801
Commodity risk	0	0
Total	**2,085,013**	**166,801**

6.5. Operational risk (Article 446 CRR)

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the financial institution's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the financial institution's operations. The Company applies the basic indicator approach in order to compute their capital requirement for the operational risk (refer to article 312 of the CRR).

Many mitigating measures and actions are covered by the Company such as:

- Frequent review of manual of procedures;
- Structured organisation based on organisation charts, job descriptions and recognized control principles like segregation of duties, four eyes principle and tasks backup;
- Staff experience;
- Protected and restricted access offices, safes, sensitive premises;

- Mirroring backup system of all systems and data. Disaster Recovery Plan yearly tested;
- Detailed Business Continuity Plan yearly tested. Strategy with a recovery site for Leudelange;
- Integration of the cyber risks in the Business Continuity Plan (BCP);
- Quarterly key performance indicator (KPI) implemented to supervise the operational activities of the company;
- Incidents Database identifying main operational risks; etc.

The risk management department decided to consider several criteria to estimate the operational risks internal capital requirements:
- IT department: availability system, cyber risk, P&L charges
- Human resources: turnover, incidents database (working time loss), organisation operational losses report, potential loss on reversals, price differences, client reimbursements.

Based on total operational errors, total operational risk on IT System and total human resources, The Company applied a rate of 50% of the total amount and applied an internal capital requirement of 260.000 EUR.

6.6. Interest Rate Risk (Article 448 CRR)

The Company manages its exposure to interest rate risk in line with CSSF's recommendations. Indeed, the Company calculates its exposure to interest rate risk following the Circular CSSF CIRCULAR CSSF 08/338 as amended by Circular CSSF 16/642 on the implementation of a stress test in order to assess the interest rate risk arising from non-trading book activities.

TABLE 11 : 31/12/2019 IRRBB STRESS TEST RESULTS

31/12/2019 stress test results	- 200 bps	+ 200 bps
Impact on own funds	679,911	- 679,911

6.7. Liquidity risk

6.7.1. Company's own liquidity

The Company distinguishes two different liquidity risks: the company own liquidity and the market liquidity risk. The first one is the inability to face short-term liabilities and is a moderate risk for the Company.

The major mitigating measures in force are the following:
- Accounting department follows up on a daily basis based on aged debt schedules.
- Prudent daily cash counterparty monitored by the Market Desk and regularly reviewed by the Treasury Committee.
- The Company owns liquidity mainly limited to cash and short-term certificates of deposits.

Through these controls and through the close monitoring of liquidity, the residual risk remains minor and the likelihood of occurrence is very rare.

In the past years, no liquidity issues have been reported. There were no significant cash-in and cash-out in the Company's activity, except for the payment of the dividends to Foyer. The corporate liquidity represents around 58% of the balance sheet (47 million EUR) and the company received an exemption of the calculation of Liquidity ratios (LCR (Liquidity Coverage Ratio), NSFR (Net Stable Funding Ratio). For those preceding reasons, no internal capital requirement has been computed.

6.7.2. Market liquidity risk

The market liquidity risk describes the Company's inability to offset client investment positions or to face funds redemptions instructions. This liquidity risk is major for the Company and can be harmful if not monitored properly.

The Company is applying monitoring controls at different level:

At global level, the client and the fund investments are subject to AMD prudent investment strategy resulting in investments mainly limited to liquid blue chip equities, highly rated corporate fixed income and highest quality government bonds.

Besides, the internal guidelines are regularly reviewed.

At the SICAV level, some mitigating measures are also applied:

- The investment strategy ensures a high level of liquid positions within all funds to enable sale/offset at any time.
- The fund managers monitor the redemptions under the supervision of Management Company and the risk management department.
- The administrative agent (RBC) provides a monthly liquidity report and they are analysed by the risk management department.

The gross risk is major and the residual risk remains moderate as the mitigating controls are efficient and the likelihood of occurrence is very low.

The liquidity cost is the cost of selling all fund positions under various scenarios and it is based on the monthly RBC liquidity report assessed for each The Company Sub-fund. An internal capital requirement based on the Stress Test scenario has been allocated and amounts to 50.000 EUR.

6.8. Settlement risk

The settlement risk can be described as the risk that a counterparty does not deliver a security or its value in cash as per agreement. Therefore, the risk is linked to the amount of the deals for intermediary clients or Foyer's Group companies and the amount invested from these clients is much more important than the available internal capital of the Company.

The mitigating measures in place are the following:

- Most counterparts are in Delivery Versus Payment (DVP).
- The Authorised list of clearing houses includes well-known counterparties only.
- Experienced staff and approved procedures of the operational departments (MD and BO).
- Regular assessments through Key Performance Indicators of the delegated services.
- Brokers' commitments regularly monitored.

Whereas mitigating controls are in place, the gross and the residual risk remain major and it is possible that a settlement risk occurs.

For these reasons, an internal capital requirement has been allocated and is based on the highest trade on Foyer's Group companies. The risk of buy in (10% of market risk) or penalties average come to 10% and the highest trade amount to EUR 12,757,000. For this reason, the internal capital requirement allocated is EUR 1,300,000.

6.9. Pricing risk

The pricing risk is described as a material misstatement of investment pricing resulting in a loss exposure. This gross risk is major and several mitigating measures are in place:

- The asset management policy is to invest client portfolios in shares and bonds.
- There is usually no investment of client portfolios in products described as potentially complex. Such investments are exceptional and insignificant compared with the level of assets.
- Pricing monitoring on the Company's own funds (stale price, control of RBC price, etc). The Back Office regularly monitors the investment-pricing database that is afterwards supervised by the risk management department.

As this risk is not significant, it does not represent a potential risk exposure. Consequently, no capital requirement is allocated.

6.10. Complex product risk

The complex product risk can be defined as the Financial exposure faced when investing in complex products where the product analysis has underestimated the financial exposure to counterparty or underlying assets.

The major mitigating actions are the following:

- The asset management policy is to invest client portfolios in shares and bonds.
- There is usually no investment of client portfolios in products described as potentially complex. Such investments are exceptional and insignificant compared with the level of assets.
- RM department applies ongoing controls of client's investments on accepted securities (Own, Core, Lab) and bonds (bonds selection).
- Daily control of the options positions by the RM department.

Even though the gross risk is major the monitoring controls enable to have a residual risk that is minor and with a very low probability of occurrence.

No internal capital requirement has been allocated as the potential risk exposure is not significant.

6.11. Asset outflow risk

The Asset outflow risk happens when client assets outflows exceed inflows. This process negatively affects the financial results.

The major mitigating measures are the following:

- The quality of services must be ensured, as well as the complementary services such as Estate Planning;
- Assets must be managed by highly skilled asset managers;
- The firm must perfectly know its clients;

- The firm must regularly communicate (on a monthly basis for example) to its clients regarding marketing evolution;
- The commercial strategy is clearly defined.

Even though the gross risk is major before the monitoring controls, the residual risk remains significant and an internal capital requirement is allocated to cover an asset outflow risk.
The potential loss on revenue due to an asset outflow risk can be valued at EUR 1,994,376. Therefore, a capital requirement of EUR 2,000,000 has been allocated to monitor this risk.

6.12. Compliance risk

The compliance risk can be characterised as the impairment of the Company's integrity, leading to the damage of its reputation, to legal or regulatory sanctions or financial loss as a failure to comply with applicable agreements, laws and rules.

The major mitigating measures are the following:

✓ At a global level:
- The Company hires and retains experienced compliance officers in place
- The Company builds a risk adverse corporate culture
- The Company performs internal audit reviews to indicate an overall satisfactory situation
- The Company invests in IT tools including different control facilities related to clients and funds.

✓ Regarding Money Laundering and Investor protection:
- The client base is limited to Luxembourg and Belgium residents
- The client acceptance process is prudent, with a detailed compliance-monitoring plan.
- Since client knowledge is extremely important, some factors enable its enhancement, such as the geographical proximity and the limited number of clients. This allows client relationship managers to increase their efficiency.

✓ Regarding Fraud, Ethics, Market Abuse and Governance:
- The Company raises awareness through trainings, code of conduct, procedures, logical and physical access restrictions, segregation of duties, four eyes principles, authorized signatures, conflict of interest policy, mapping and register.
- The Company monitors book reconciliation report, log reports on errors, small size of the company.
- The Company notify the staff to identify external mandates, gifts received, personal transactions undertaken and insiders' situation in order to prevent or mitigate the risks of conflicts of interests.
- The company improves regularly its governance framework with dedicated and high-level trainings of Board members as well as yearly "fit & proper" assessment.

Even though the gross risk is major, the monitoring controls enable to have a moderate residual risk.

The average income per client corresponds to approximately 0.96% of the total assets under management. In that way, a capital requirement of EUR 5,200,000 has been allocated to monitor this risk. This amount of money corresponds to half of the average income by client.

6.13. Legal risk

The legal risk is defined as being the risk that an error in terms of interpretation of an agreement engaging the Company generates financial losses or an unexpected increase of the commitment of the Company as well as any legal exposure of the Company.

The major mitigating measures are the following:

- The Company ensures a legal support from Foyer's group legal department
- When necessary, the Company consults lawyers to obtain their validation or legal opinion
- The firm is subscribed to an insurance that covers professional risks

Even though the gross risk is major, the monitoring controls enable to have a moderate residual risk.

In 2019, no claim remained and risks are covered by an insurance with a deductible of EUR 250,000. Therefore, 100% of the deductible must be allocated and the capital requirements has been valued at EUR 250,000.

6.14. Business & Strategy risk

The business and strategy risk is described as the significant financial losses that may arise when the BoD or the management respectively takes poor strategic decisions. This wrong direction in strategy and business decisions can be very harmful for a company and may result in equity valuation losses.

This business and strategy risk is significant for the Company and is mitigated through the following different mitigating measures:

- The BoD adopts a prudent strategy;
- The Management applies prudent policies;
- The Management and the Board members are highly experienced;
- Corporate governance principles lead the business;
- Annual strategy meeting.

Those mitigating controls enable the Company to pass from a significant gross risk to a moderate residual risk with a very low probability of occurrence.

Business and strategy residual risk is assessed as not significant with regards to the Company's current conduct and activity. The rationale is the fact that the Company does not invest for its own account, its activity is very simple and is limited to clients discretionary assets management mostly through own investment funds. The approach to asset management is prudent and no trading is effectuated.

As a consequence, The Company decided to not allocate any internal own funds to the business and strategy risk.

6.15. Reputational risk

The reputational risk can be defined as the threat to the good name or standing of a The Company. It might be an action or an omission that would have an impact on the image or reputation and consequently would be harmful to the ability to grant services, to find suppliers or to keep and gain clients and staff. It would also have an impact on the confidence of the authorities, external auditors and shareholders.

This reputational risk is major and forces the Company to apply mitigating controls:

- BoD & Management: the corporate culture is based on integrity and honesty towards all stakeholders.
- Board members and shareholder are aware of the reputational risk threat.
- Effective internal control system is based on compliance, risk management and internal audit.
- The Company produces a Crisis Management Plan.
- The staff is accountable for the risk culture and the Company has built a strong structured organisation based on organigrams and job descriptions. Finally the staff turnover is low.
- The entire organisation applies a code of conduct and is trained on reputational risk.
- The Human Resources and Client acceptation process is prudent and centralised. The escalation process is based on a risk-based approach.
- A conflict of interests' policy is in place (no significant additional risks of conflicts has been detected in 2019).
- A complaints monitoring process is in place and a very low rate of complaints has been reported in 2019
- The Marketing department ensures the communication towards clients via internal and external media as well as internet.
- No adverse media has been detected in 2019. The Company operates a close monitoring of the e-reputation and web analytics.
- The relations with authorities is based on confidence and transparency: no warnings, injunctions or sanctions received.
- For new products/services/markets: there was significant change in business model, policy and scope of business in 2019.
- Part of digitalisation projects are expected to improve monitoring.
- Due diligences (initial and ongoing) are performed to ensure a constant quality, integrity of service providers.

Those mitigating controls do not critically impact the residual risk as it still remains significant. However, the likelihood of occurrence is very low.

If a new risk arises, the Company will have to activate an action plan that will have financial consequences. Based on the cost required to implement an action plan to restore the reputation (newspaper articles, business events, external help, etc…), the Company has allocated a capital requirement of EUR 200,000.

7. Asset encumbrance (Art. 443 of CRR)

As of 31 December 2019, the Company does not have any encumbered assets.

8. Leverage ratio (Art. 451 of CRR)

The Leverage ratio of the Company is part of the Extended Corep and disclosed in report C47.00 that is reported on quarterly basis to the CSSF. Since August 2019, the Company has been exempted to deliver the Leverage Ratio.

9. Remuneration policy (Art. 450 of CRR)

The remuneration policy is established in such way to attract, retain and motivate highly qualified employees in their fields of expertise. It considers a sound risk management and is aligned with the long-term strategy and objectives of the Company. It does not encourage excessive risk-taking.

It is inspired by the remuneration policies applied amongst other financial institutions and in particular the collective agreement of banks in Luxembourg. It ensures that the requirements for conflict of interest and enhances investor protection are met.

9.1. Governance

9.1.1. Board of Directors

The BoD of Foyer S.A., the parent company of the Company:

- Establishes and approves the general principles determining the remuneration policy;
- Establishes and regularly reviews the specific principles of the remuneration applied to employees of the Company and its subsidiaries;
- Obtains the results of the annual review performed by the control functions on the remuneration policy implementation;
- Approves the remuneration of the authorised managers, the Chief Risk Officer and the Chief Compliance Officer.

The Foyer S.A. Remuneration and Nomination Committee acts for the Company. The Committee discusses and proposes variable compensation for Executive Committee members and for the Chief Risk Officer and Chief Compliance Officer. The Remuneration Committee is meeting 2 or 3 times per year.

9.1.2. Set up and monitoring of the remuneration

The Company's management is responsible for implementing the remuneration policy as defined by the BoD. Compliance is involved in the development of the remuneration policy. The internal control functions are independent of the business units they serve. They are in charge of evaluating, once a year, compliance with compensation policies procedures approved by the BoD. In addition, they are in charge of the remuneration allocation to the various categories of employees and to control the whole compensation system at least once a year.
In the event of damage suffered by an actual or potential customer due to certain aspects of the remuneration policy, it will be reviewed and amended in order to prevent these risks.
Human Resources is in charge of monitoring the remuneration budget validated by the BoD of the Company.

9.2. Pay and performance

9.2.1. Performance criteria

On a yearly basis, all the Company's employees are assessed to ensure that their performance is evaluated over the long term and on an ongoing process. Employees are assessed based on qualitative and quantitative criteria and based on their progress.

Qualitative criteria are general criteria (evolution in the function, quality of work, team spirit, commercial spirit, respect for the client's interests, respect for internal procedures, compliance with rules of conduct, KYC, compliance with requirements regulatory, fair treatment of customers, level of customer satisfaction,...) and specific business criteria (for example, for a member of management: communication, team management, initiative, anticipation).
The performance evaluation is the basis for determining the variable remuneration and the potential increase in the fixed remuneration.

Performance measurement, when it is used as a basis for calculating the variable components of individual or collective compensation, includes a global adjustment mechanism that integrates all types of current and future risks.

The evaluation process is as follows:

1. A written self-assessment of the employee based on predefined criteria.
2. An evaluation written by his N+1;
3. An oral interview with the N+1 who validates the achievement of the objectives and the status progress of ongoing projects. It sets new individual objectives to the future

9.2.2. Fixed remuneration

The fixed remuneration is primarily based on the employee's professional experience and on its responsibilities. The fixed remuneration is set out in the employment contract and it includes benefits in kind.

Fixed compensation represents the largest portion of total compensation and allows for a flexible variable compensation policy, including the possibility of not paying variable remuneration to its employees.

9.2.3. Variable remuneration

Variable remuneration is awarded by combining:

- Employee's individual performance;
- The performance of the business unit concerned;
- The results of Group.

The sale of specific financial instruments or a class of financial instruments is not the only criteria that will influence the variable remuneration. It reflects sustainable, risk-adjusted performance that exceeds expectations required for the employee's function. Variable compensation is not guaranteed and does not encourage excessive risk taking.

The determination and method of calculating variable compensation does not encourage persons concerned to promote their own interests or the Company's interests in the detriment of customers.

The variable compensation portion does not exceed 100% of the fixed portion. However, under the approval of the Company it can exceptionally reach a maximum of 200%. Table below summarises the split between fixed and variable remuneration for the year 2019 for 7 ComEx members and 25 staff members of The Company who can be considered as material risk takers.

Table 12 : Split between variable and fixed remuneration for financial year 2019

Total 2019	Fix	Variable *	Number of persons	*First part directly	*Part after 1 year	*Part after 2 year	*Part deferred via bonusplan AXA BE
6,222,025	4,795,159	1,426,866	32	695,676	318,147	315,647	97,398

Variable remuneration is only in cash and is never paid through instruments or methods that facilitate the circumvention of legal requirements. The total volume of variable compensation does not limit the Company's ability to strengthen its financial base.

Variable remuneration is deferred as such: 40% is directly paid, 30% after one year and the third part (30%) after two years.

The launch of new products or services and the use of new channels of distributions are in accordance with the compensation policies and practices within the Company and take into account the potential risks generated by these products, services or channels.

9.3. Remuneration of Management

No employee of the Company or its subsidiaries is in any of the following categories remuneration exceeding EUR 1,000,000.

In the course of the 2019 financial year, the remuneration awarded to the members of the BoD amounted to EUR 223,997 EUR (2018: EUR 216,937).

Regarding variable remuneration of the management body, the main performance criteria are:

- Development of the activities falling under the responsibility of the member of the management;
- Results of the activities compared to what was budgeted;
- Status and achievement level of the projects falling under the responsibility of the member of the management;
- Compliance with new regulatory challenges and follow-up of internal and external audits recommendations;
- Team management;
- Communication skills;
- Capacity of adaptation;
- Personnel development.