

## MANAGEMENT REPORT

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# **bpost SA-NV**

## **Management report 2013**

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### 1. Selected financial figures

| Million €                                   | 2013    | 2012    |
|---|---------|---------|
| Operating income                            | 2.275,0 | 2.291,3 |
| Payroll costs                               | 1.233,4 | 1.290,6 |
| Other operating costs                       | 633,5   | 630,7   |
| Profit from operating activities (EBIT)     | 408,1   | 370,0   |
| Earnings after taxes                        | 248,2   | 171,9   |
| <b>Other key figures</b>                    |         |         |
| Dividend per share (€) (*)                  | 1,1     | 0,85    |
| Number of employees (headcount at year end) | 28.112  | 29.382  |
| Number of employees ( FTE at year end)      | 24.615  | 25.675  |

(\*) In May-2013, the shareholders' meeting decided to split the number of shares. The total number of shares post stock split amounts to 200.000.944 shares (before stock split 409.838 shares). Calculated with the new number of shares, dividend per share for the period 2012 are now equal to  $414,8 / 488 = 0,85$

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**2. Key events of the year****Appeal of the decision taken by Belgian Competition Authority**

In January 2013, bpost appealed the decision taken in December 2012 by the Belgian Competition Authority related to the imposition of a fine of 37,4 million EUR upon the Company for abuse of dominant position in respect of its "per sender" model pricing policy.

This pricing policy, which had been introduced by bpost in 2010, consisted in calculating volume rebates based on volumes of mail sent by the individual end customers, i.e. on a revenue per sender basis rather than the aggregate volumes handled by intermediaries. In 2011, the IBPT/BIPT had concluded that this policy towards intermediaries infringed the non-discrimination and transparency obligations imposed by the Law of 1991. In light of the IBPT/BIPT's decision, bpost agreed to discontinue the "per sender" model in August 2011 and adapted its commercial pricing policies which resulted in intermediaries having access to volume rebates on a consolidated basis.

The appeal is currently pending before the Brussels Court of Appeal. bpost paid the fine during the first quarter of 2013 pending the outcome of the appeal.

**Capital reduction and exceptional dividend**

On March 25, 2013, an extraordinary shareholders' meeting of the Company approved (i) a share capital reduction of 144,5 million EUR through return of capital to the shareholders of the Company and (ii) a reduction in the legal reserve in the amount of 21,3 million EUR through the transfer to available reserves and the subsequent payment of an exceptional dividend of 53,5 million EUR from available reserves and retained earnings.

**Acquisition of the final 20% shares of MSI**

In June 2013, bpost acquired the final 20% of the MSI shares which were still held by the minority shareholders for an amount of 5,3 million USD. MSI is a company based in the USA and is active in international mail.

**SGEI overcompensation for the period 2011-2012**

In 2009, the European Commission launched an investigation into possible illegal state aid. The investigation covered all aspects of bpost's business over the period 1992-2012. The European Commission concluded that bpost had been compensated for the performance of the Services of General Economic Interests (SGEI) for the period 2005-2012 and ordered the repayment to the Belgian State of the alleged overcompensation. In 2012, bpost repaid an amount of 300,8 million EUR (including interest but net of taxes) in respect of the period from 1992 to 2010. An additional amount of 123,1 million EUR (including interest but gross of tax) in respect of the period 2011-2012 was repaid in the first half of 2013. This repayment had no impact on bpost's 2013 results.

The investigation into the illegal state aid ended with this repayment.

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### **Approval of the 5<sup>th</sup> Management Contract**

On May 2, 2013, the European Commission approved the 5<sup>th</sup> Management Contract, which sets forth the terms and conditions pursuant to which bpost must fulfill certain Services of General Economic Interest (SGEI) for the period from January 1, 2013 to December 31, 2015. SGEI include, among other services, the early delivery of newspapers, the distribution of periodicals, "cash at counter" services, home delivery of pensions and social allowances and the maintenance of a retail network.

The 5<sup>th</sup> Management Contract was approved by Royal Decree on May 29, 2013 and is effective as of January 1, 2013. It replaces the 4<sup>th</sup> Management Contract.

### **Granting of a postal license to TBC-POST**

In May 2013, the IBPT/BIPT granted a postal license to Mosaïc SPRL, doing business as "TBC-POST".

This license allows this company to collect and distribute addressed mail on the Belgian territory.

### **New Framework Agreement and capital increase bpost bank**

On December 13, 2013, bpost and BNP Paribas Fortis renewed their banking partnership agreement for a period of 7 years starting on January 1, 2015 – has been signed on December 13, 2013.

The banking partnership agreement foresees that:

- (i) bpost and BNP Paribas Fortis will continue to cooperate through bpost bank, which will continue to be an associate of bpost;
- (ii) bpost will remain the exclusive offeror of bpost bank's products and services through its network of post offices;
- (iii) bpost will continue to provide back office activities and other ancillary services to bpost bank.

In anticipation of the capital requirements that are expected to be introduced in connection with the implementation of Basel III and CRD IV, bpost bank completed a capital increase in the amount of 100 million EUR on March 20, 2013, pursuant to which bpost contributed 37,5 million EUR in cash (following the capital increase, bpost's shareholding in bpost bank continued to be 50%). As of December 31, 2013, bpost bank's Tier I ratio was 19,75%.

### **Share split**

The Extraordinary Shareholders' Meeting on May 27, 2013 approved a stock split of 1/488 which results in a share capital composed of 200.000.944 shares bearing same rights (further removal of classes of shares). The previous number of shares amounted to 409.838 shares.



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### Initial Public Offering

bpost announced on May 23, 2013 its intention to proceed with an initial public offering and listing of its ordinary shares on NYSE Euronext in Brussels (the "IPO").

On June 21, 2013, the trading of bpost's shares started on Euronext Brussels. The final offer price amounted to 14,5 EUR.

59.750.180 shares were sold (including the exercise of the over-allotment option) to:

- (i) retail and institutional investors in Belgium via an initial public offering;
- (ii) Japanese investors via a public offering without listing;
- (iii) "qualified institutional buyers" or "QIBs" via a private placement in the United States; and
- (iv) institutional investors in the rest of the world via private placements.

Concurrently, bpost implemented a share purchase plan for bpost's employees. Eligible participants were able to purchase a fixed number of shares at a price representing a discount of 16,67% to the offer price. 916.479 shares were sold to bpost's employees.

The Belgian State did not sell shares in the IPO and maintained its 50,01% participation in bpost (directly and through the SFPI/FPIM). Post Invest Europe S.à.r.l., the selling shareholders, retained a stake of 19,67% in the Company following the IPO.

### Payment of an interim dividend of 0,93 EUR gross per share

On December 4, 2013, the Board of Directors approved the payment of an interim dividend of 186,0 million EUR or 0,93 EUR gross per share. This amount represents 85% of the sum of (i) the net profit after tax of bpost SA-NV for the 10 months period ended on October 31, 2013 plus (ii) an amount of 17,6 million EUR compensating for an exceptional pre-listing tax charge.

On November 7, 2013, the Board of Directors also confirmed its intention to approve the payment of a final dividend corresponding to 85% of the net profit of bpost SA-NV over the last two months of 2013.

### Sale by Post Invest Europe S.à.r.l. of 39.328.287 shares in bpost

On December 10, 2013, Post Invest Europe S.à.r.l. ("PIE"), announced the sale of up to 39.328.287 shares in bpost, representing approximately 19,7% of bpost's share capital, via a private placement process (the "sale").

On December 16, 2013, Post Invest Europe S.à.r.l. notified that its shareholding in bpost SA-NV was below the 3% threshold. On 16 December 2013, Post Invest Europe S.à.r.l. holds 4.062 bpost shares with voting rights.

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**Extension of the validity of certain measures of the collective Labor Agreement (2012-2013)**

In December, the representatives of the Company and labor unions decided to prolong the validity of certain measures of the current collective labor agreement (2012-13) until the new agreement is adopted.

**Announcement by Johnny Thijs of his decision not to seek a new mandate as CEO**

On the December 23, 2013, Johnny Thijs announced to the Board of Directors of bpost his decision not to seek a new mandate as Chief Executive Officer and Director of bpost. His current mandate ended on January 6, 2014.

The Board of Directors requested that Johnny Thijs continues to lead the Company until a successor has been appointed and confirmed by Royal Decree. Johnny Thijs has accepted this request.

The Board of Directors further requested that the Chairlady of the Board, Martine Durez, and Johnny Thijs lead the search for a new Chief Executive Officer and report to the Company's Remuneration and Nomination Committee.

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### 3. Financial statements

#### 3.1. Income statement

| Million C  | 2013           | 2012           | Evol. % |
|--|----------------|----------------|---------|
| Turnover   | 2.239,5        | 2.270,2        | -1,4%   |
| Other operating income   | 35,5           | 21,1           | 68,2%   |
| <b>Total operating income</b>  | <b>2.275,0</b> | <b>2.291,3</b> | -0,7%   |
| Materials cost   | 11,8           | 10,2           | 15,7%   |
| Payroll costs  | 1.233,4        | 1.290,6        | -4,4%   |
| Services and other goods   | 556,8          | 580,2          | -4,0%   |
| Other operating expenses   | 11,6           | 46,2           | -74,9%  |
| Provision  | -13,6          | -77,0          | -82,3%  |
| Depreciation and amortization  | 66,8           | 71,1           | -6,0%   |
| <b>Total operating expenses</b>  | <b>1.866,8</b> | <b>1.921,3</b> | -2,8%   |
| <b>Profit from operating activities (EBIT)</b>                                       | <b>408,1</b>   | <b>370,0</b>   | 10,3%   |
| <b>Earnings before interests and taxes, depreciations and amortizations (EBITDA)</b> | <b>474,9</b>   | <b>441,1</b>   | 7,7%    |
| Financial Revenues   | 13,0           | 16,3           | -20,2%  |
| Financial Costs  | 5,3            | 4,9            | 8,2%    |
| <b>Profit from ordinary activities</b>   | <b>415,8</b>   | <b>381,4</b>   | 9,0%    |
| Exceptional Revenues   | 8,2            | 14,5           | -43,4%  |
| Exceptional Costs  | 17,7           | 138,7          | -87,2%  |
| Income tax expense   | 158,1          | 85,4           | 85,1%   |
| <b>Earnings after Taxes</b>  | <b>248,2</b>   | <b>171,9</b>   | 44,4%   |



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## 3.2. Balance sheet

| Million C                             | 2013           | 2012           |
|---------------------------------------|----------------|----------------|
| <b>Assets</b>                         |                |                |
| <b>Non-current assets</b>             |                |                |
| Intangible assets                     | 24,3           | 34,0           |
| Tangible assets                       | 393,7          | 413,9          |
| Financial assets                      | 374,4          | 334,7          |
|                                       | <b>792,4</b>   | <b>782,6</b>   |
| <b>Current assets</b>                 |                |                |
| Long term receivables                 | 0,0            | 0,0            |
| Inventories                           | 7,0            | 6,4            |
| Trade and other receivables           | 347,0          | 340,3          |
| Cash and cash equivalents             | 438,2          | 792,6          |
| Deferred charges and accrued income   | 30,1           | 33,4           |
|                                       | <b>822,3</b>   | <b>1.172,7</b> |
| <b>Total assets</b>                   | <b>1.614,7</b> | <b>1.955,4</b> |
| <b>Equity and liabilities</b>         |                |                |
| <b>Equity</b>                         |                |                |
| Issued capital                        | 364,0          | 508,5          |
| Reevaluation surpluses                | 0,1            | 0,1            |
| Reserves                              | 50,8           | 102,4          |
| Retained earnings                     | 22,2           | 1,9            |
|                                       | <b>437,1</b>   | <b>612,9</b>   |
| <b>Provisions</b>                     |                |                |
| Pension related provisions            | 29,8           | 39,0           |
| Provision for repairs and maintenance | 1,8            | 2,4            |
| Other liabilities and charges         | 160,6          | 289,3          |
|                                       | <b>192,2</b>   | <b>330,7</b>   |
| <b>Non current liabilities</b>        |                |                |
| Long term debts                       | 81,7           | 90,8           |
|                                       | <b>81,7</b>    | <b>90,8</b>    |
| <b>Current liabilities</b>            |                |                |
| Trade and other payables              | 205,7          | 192,1          |
| Social Debts payable                  | 367,2          | 375,6          |
| Income tax payable                    | 52,2           | 15,2           |
| Other Debts                           | 151,3          | 180,7          |
| Accrued charges and deferred income   | 127,3          | 157,3          |
|                                       | <b>903,7</b>   | <b>921,0</b>   |
| <b>Total liabilities</b>              | <b>1.614,7</b> | <b>1.955,4</b> |

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## 3.3. Changes in shareholders equity

| Million €   | Issued capital | Non-distributable reserves | Retained earnings | Other reserves | Reevaluation surplus | Total        |
|---|----------------|----------------------------|-------------------|----------------|----------------------|--------------|
| <b>As per 1 January 2013</b>                        | <b>508,5</b>   | <b>30,3</b>                | <b>1,9</b>        | <b>72,2</b>    | <b>0,1</b>           | <b>612,9</b> |
| Addition  | -              | -                          | 22,2              | -              | -                    | 22,2         |
| Transfers   | -              | -                          | -                 | -              | -                    | -            |
| Reimbursement capital                               | -144,5         | -                          | -                 | -              | -                    | -144,5       |
| Extraordinary Dividends distribution (Shareholders) | -              | -30,3                      | -1,9              | -21,4          | -                    | -53,6        |
| <b>As per 31 December 2013</b>                      | <b>364,0</b>   | <b>0,0</b>                 | <b>22,2</b>       | <b>50,8</b>    | <b>0,1</b>           | <b>437,1</b> |

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### 4. Comments on figures

#### 4.1. Income Statement

bpost SA-NV realized during the 2013 financial year a profit after tax of 248,2 million EUR (2012: 171,9 million EUR). Excluding the exceptional provision related to the decision of the European Commission for the provision of services of general economic interest (net impact 82,5 million EUR), partially offset by a reversal of pending litigation provision for 15,0 million EUR in 2012, profit after taxes increased from 239,4 million EUR in 2012 to 248,2 million EUR in 2013.

At the operating level result (EBIT), the Company recorded a profit of 408,1 million EUR (2012: 370,0 million EUR) which represents an increase of 10,3% compared to last year. Whereas revenues slightly decreased (0,7%), operating expenses decreased by 2.8% driven by lower payroll costs and close cost monitoring.

#### Operating Income (Revenues)

The operating income of bpost SA-NV decreased by 0,7% to 2.275,0 million EUR (2012: 2.291,3 million EUR).

| Million €               | 2013           | 2012           | Evol €       | Evol %       |
|-------------------------|----------------|----------------|--------------|--------------|
| Sales                   | 2.239,5        | 2.270,2        | -30,7        | -1,4%        |
| Other Operating Income  | 35,5           | 21,1           | 14,4         | 68,0%        |
| <b>Operating Income</b> | <b>2.275,0</b> | <b>2.291,3</b> | <b>-16,3</b> | <b>-0,7%</b> |

Operating Income evolution 2013-2012

The evolution by core activity is described as follows:

| Million €                    | 2013           | 2012           | Evol €       | Evol. %      |
|------------------------------|----------------|----------------|--------------|--------------|
| Domestic Mail                | 1.540,3        | 1.665,2        | -124,9       | -7,5%        |
| <i>Transactional Mail</i>    | 961,3          | 982,7          | -21,5        | -2,2%        |
| <i>Advertising Mail</i>      | 275,9          | 287,3          | -11,4        | -4,0%        |
| <i>Press</i>                 | 303,1          | 395,2          | -92,1        | -23,3%       |
| Parcels                      | 168,5          | 141,6          | 26,9         | 19,0%        |
| Value Added Services         | 41,2           | 40,1           | 1,1          | 2,7%         |
| International Mail           | 143,6          | 164,4          | -20,8        | -12,6%       |
| Banking & Financial Products | 209,2          | 217,3          | -8,0         | -3,7%        |
| Other                        | 172,2          | 62,7           | 109,5        | 174,6%       |
| <b>Operating Income</b>      | <b>2.275,0</b> | <b>2.291,3</b> | <b>-16,3</b> | <b>-0,7%</b> |

Operating Income evolution by core activity 2013-2012

**Domestic Mail** which includes *Transactional* and *Advertising Mail* as well as *Press* decreased compared to last year mainly as a consequence of the lower compensation for SGEI and the lower share of the compensation attributable to Domestic Mail (100,9 million EUR). The impact of an additional working day and

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elections in 2012 and the volume decline of 4,2% are partially offset by the improvement in pricing and mix.

The **Parcels** activity grew by 19,0% driven by

- the good performance of International Parcels. To a large extent due to the increased traffic to (mainly milk powder) and from (mainly e-tailers exporting to Europe) China,
- a solid Domestic Parcels volumes growth of 7,1%, which was mainly attributable to increased volumes in B2X as a consequence of the further development of e-tailing activities.

**Value Added Services** revenues slightly improved by 2,7%, to 41,2 million EUR in 2013.

Excluding the lower amount of favorable settlements with foreign operators of previous years' terminal dues (i) (6,4 million EUR), **International Mail** revenues decreased by 8,8% due to the transfer of some customers to the UK subsidiary, along with a volume decline partially compensated by a price and mix improvement.

Excluding the impact of the lower SGEI compensation on the **Banking & Financial Products**, revenues declined by 5,1 million EUR. This is explained by the lower remuneration and commissions received on bpost bank products partially compensated by the positive impact of the prepaid credit cards (bpaid cards).

**Other** revenues rose by 109,5 million EUR due to the shift in SGEI remuneration from Domestic Mail to other revenues lines, the higher proceeds from the sales of buildings and the increased number of transactions with the subsidiaries.

(i) This is driven by a reclassification of the settlements in deduction of the transport costs (9,2 million EUR)

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### Operating expenses

bpost SA-NV operating expenses for 2013 slightly decreased compared to last year and amount to 1.866,8 million EUR (2012: 1.921,3 million EUR).

**Materials costs**, which include the cost of raw materials, consumables and goods for resale, increased by 1,6 million EUR to 11,8 million EUR.

The costs for **goods and services** showed a 4,0% decrease which can be split as follows:

| Million C                      | 2013         | 2012         | Delta        |
|--------------------------------|--------------|--------------|--------------|
| Rent & Rental Costs            | 88,4         | 81,4         | 7,0          |
| Maintenance and repairs        | 71,9         | 65,3         | 6,6          |
| Energy delivery                | 40,0         | 42,3         | -2,3         |
| Other goods                    | 14,9         | 16,4         | -1,5         |
| Postal and telecom costs       | 5,9          | 7,1          | -1,2         |
| Insurance costs                | 21,4         | 22,7         | -1,3         |
| Transport costs                | 114,4        | 119,7        | -5,3         |
| Publicity and advertising      | 20,3         | 25,1         | -4,8         |
| Consultancy                    | 18,3         | 31,7         | -13,4        |
| Interims                       | 28,1         | 39,3         | -11,2        |
| Third party remuneration, fees | 115,5        | 110,5        | 5,0          |
| Other services                 | 17,7         | 18,8         | -1,1         |
| <b>Total</b>                   | <b>556,8</b> | <b>580,2</b> | <b>-23,5</b> |

Goods and Services evolution 2013-2012

- Rental costs went up by 7,0 million EUR or 8,6% due to the increase in lease costs for vans and the continuing shift from owned towards leased vehicles.
- Maintenance and repairs showed 10% increase from 65,3 million EUR to 71,9 million EUR. This was caused by the increase in maintenance costs of machines in sorting centers and banking software. In addition the maintenance costs of vehicles rose due to the fact that the average age of the van fleet is increasing. These negative impacts have been partly compensated by lower building-related costs.
- Energy costs declined by 2,3 million EUR mainly due to a positive price evolution for fuel costs for both vehicles and buildings.
- Transport costs amount to 114,4 million EUR, a decrease of 4,4% (5,3 million EUR) compared to previous year. This decrease was driven by the positive impact due to the reclassification of the favourable settlement of previous years' terminal dues in 2013 (9,2 million EUR) and by lower distribution costs due to lower mail volumes. These were partially offset by higher transport costs explained by higher volume related to international parcels.
- Publicity and advertising costs decreased from 25,1 million EUR to 20,3 million EUR (or 19,1%).
- Cost monitoring programs within the Company have also resulted in lower consultancy costs in comparison to 2012, generating a positive impact of 13,4 million EUR.



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- The reduction in interim costs was driven by lower use of temporary personnel.
  - Third party remunerations and fees climbed by 5,0 million EUR mainly because of additional external IT experts necessary for the development and implementation of new software applications.

**Payroll costs** amount to 1.233,4 million EUR in 2013 (2012: 1.290,6 million EUR) which represents a decrease of 57,2 million EUR or 4,4%.

The main positive evolutions in payroll cost are due to:

- The reduction of the average workforce of 1017 FTE's generating a saving of 48,4 million EUR driven by the various productivity enhancement projects. This reduction should be analyzed alongside the underlying decrease in the use of interims by 186 FTE's or 11,2 million EUR (reported under cost of goods and services). Reorganizations and productivity programs in the postal value chain activities (distribution, transport, collect), and in post-offices continued to be implemented alongside the optimization of the support activities such as Cleaning, Facility Management and Human Resources.
- The positive mix effect in payroll mainly driven by the recruitment of auxiliary postmen on lower salaries had an impact of 7,0 million EUR.
- The payment in 2012 of a consideration to certain categories of personnel in compensation for the termination of some Accumulated Compensated Absences (24,6 million EUR).
- Lower costs for early retirement and social plans for 6,1 million EUR.

These positive evolutions were partially compensated by the cost-of-living increases of March 2012 (full impact in 2013) and January 2013 (27,4 million EUR).

Besides this, merit increases, promotions and higher year-end premiums had a negative impact on the payroll costs for 8,4 million EUR.

**Depreciation and amortization** decrease to 66,8 million EUR (2012: 71,1 million EUR) or by 6,0%.

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**Net impact of provisions** amounts to an income of 13,6 million EUR in 2013 (2012: income of 77 million EUR). The movements of the individual provisions are the following (negative figures represent reversals/utilizations of provisions and have a positive impact on profit):

| Million €                          | 2013         | 2012         | Delta       |
|------------------------------------|--------------|--------------|-------------|
| Provisions for end of career       | -6,3         | -19,0        | 12,7        |
| Mobility                           | 0,1          | -0,2         | 0,3         |
| Settlement quota days              | -2,9         | 7,0          | -9,9        |
| Insurance fund - Working accidents | 1,9          | -20,2        | 22,1        |
| Pending litigations                | -5,7         | -34,9        | 29,2        |
| LT Restructuring                   | -0,2         | -0,3         | 0,1         |
| Other                              | -0,4         | -9,3         | 8,9         |
| <b>Total</b>                       | <b>-13,6</b> | <b>-77,0</b> | <b>63,4</b> |

Provisions for risks and charges

- The end of career provisions decreased by 6,3 million EUR. The utilizations and reversals of 18,2 million EUR were partially offset by the new provision following the adoption of the 2012 Collective Labor Agreement.
- In 2013, the provision covering the settlement of the quota days was used to cover the use or the payment of some Accumulated Compensated Absences.
- In 2013, a net addition of the insurance fund provision (1,9 million EUR) was recorded as an additional provision was taken for damage costs for vehicles reaching the end of their lease counterbalanced by the reversal of the provision related to working accidents. In 2012 a reversal of the insurance fund provision for 18,7 million EUR was recorded as an important litigation was ended.
- In 2013, the net utilization for pending litigation of 5,7 million EUR is mainly explained by a reversal of the social and legal risks provision as some payroll-related risks were definitively resolved. Whereas in 2012 the net utilization of 34,9 million EUR was mainly due to the utilization of the litigation provision for a penalty of the Belgian Competition Authority.

**Other operating expenses** decreased from 46,2 million EUR to 11,6 million EUR, mainly explained by last year's penalty of the Belgian Competition Authority (37,4 million EUR).

**Financial income** slightly decreased to 13,0 million EUR (2012: 16,3 million EUR), mainly due to lower amounts of cash and lower interests perceived on the investment of the Company's cash, partially offset by higher foreign exchange gains.

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**Financial charges** for the year slightly increased to 5,3 million EUR (2012: 4,9 million EUR) due to higher foreign exchange losses (1,2 million EUR) partially offset by lower interests on bank borrowings (-0,6 million EUR).

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### **Exceptional result**

| Million €                       | 2013        | 2012         | Delta         |
|---------------------------------|-------------|--------------|---------------|
| <b>Exceptional Costs</b>        |             |              |               |
| Loss on/impairment of assets    | 5,9         | 9,1          | -3,2          |
| Write off subsidiaries          | 11,6        | 2,7          | 8,9           |
| Others                          | 0,2         | 126,9        | -126,7        |
| <b>Total</b>                    | <b>17,7</b> | <b>138,7</b> | <b>-121,0</b> |
| <b>Exceptional Revenues</b>     |             |              |               |
| Reversal impairment assets      | 6,2         |              | 6,2           |
| Reversal Write off subsidiaries |             | 14,3         | -14,3         |
| Others                          | 2,0         | 0,2          | 1,8           |
| <b>Total</b>                    | <b>8,2</b>  | <b>14,5</b>  | <b>-6,3</b>   |

The decrease of exceptional costs to 17,7 million EUR (2012: 138,7 million EUR) is mainly due to last year's provision related to the decision of the European Commission. The exceptional costs line for 2012 includes the addition to the provision for an amount of 124,9 million EUR. This litigation has been settled in 2013. The increased write-offs on subsidiaries are mainly due to the impairment recorded for Euro-Sprinters in 2013 (9,1 million EUR).

Exceptional revenues amount to 8,2 million EUR mainly explained by a reversal of an impairment on assets. Last year, the exceptional revenues were impacted by the reversal of impairment on the participation in Certipost (14,3 million EUR).

### **Tax Expenses**

The corporate tax expenses amount to 158,1 million EUR (2012 : 85,4 million EUR). This represents a charge of 38,9% of the profit before taxes compared to 33,1% in 2012. This increase is mainly the result of the transfer of 21,3 million EUR from tax free reserves to distributable results and the payout of untaxed reserves of 30,3 million EUR. These transactions created additional income tax liabilities of respectively 7,3 million EUR and 10,3 million EUR.

**MANAGEMENT REPORT**

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**4.2. Balance Sheet****Assets**

The balance sheet total amounts to 1.614,7 million EUR in 2013 (2012: 1.955,4 million EUR), a decrease of 340,7 million EUR versus 2012.

Intangible fixed assets decreased by 9,7 million EUR as the depreciations (11,9 million EUR) outpaced the additions (mainly related to investments in software and licenses).

Tangible assets declined by 20,2 million EUR. The main components of this variance are:

- Investments for an amount of 42,4 million EUR (2012: 37,0 million EUR),
- More than compensated by the depreciation of 54,5 million EUR (2012: 63,2 million EUR) and the transfer to assets held for sale of 8,3 million EUR.

Financial fixed assets increased to 374,4 million EUR (2012: 334,7 million EUR). This increase of 39,7 million EUR is mainly explained by :

- a capital increase of Deltamedia SA-NV for 3,5 million EUR,
- a capital increase of bpost bank for 37,5 million EUR,
- the purchase of the remaining 20% of the shares of Mail Services Incorporated to reach a total of 100% of the shares, as well as an adjustment related to 20% purchased in 2012, total impact amounts to 7,9 million EUR,
- during the year 2013 bpost SA-NV performed a capital increase in bpost US Holding throughout the incorporation of the shares of Mail Services Incorporated,
- a new loan of 2,3 million EUR towards Landmark Global, partially offset by,
- the impairment on the participations in Euro-Sprinters and Deltamedia for a total amount of 11,6 million EUR.

Trade receivables decreased by 1,1 million EUR, mainly due to a decline in the advances by foreign operators partially offset by an increase of the outstanding trade accounts receivables.

Other receivables increased by 7,9 million EUR mainly due to the advance paid in 2013 in anticipation to the acquisition of a 100% participation in Gout, a provider of services to the parcels industry based in the Netherlands and to the increased advances for family allowances.

Deferred charges and accrued income amount to 30,1 million EUR (2012: 33,4 million EUR).



**MANAGEMENT REPORT**

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The sum of cash and cash investments decreased to 438,2 million EUR (2012: 792,6 million EUR) mainly explained by the capital reduction paid out to shareholders (144,5 million EUR), the repayment of the overcompensation by the State for the SGEI (123,1 million EUR), the exceptional dividend payment (53,5 million EUR) and the advance on the 2013 dividend (186,0 million EUR) partly compensated by the operational free cash flow.

***Liabilities***

The equity decreased to 437,1 million EUR (2012: 612,9 million EUR). The addition of the 248,2 million EUR net profit for the 2013 period was more than compensated by the proposed dividend of 226,0 million EUR (out of which an interim dividend of 186 million EUR has been paid already), a capital decrease of 144,5 million EUR and the payment as an exceptional dividend for 53,6 million EUR.

Provisions for liabilities and charges decreased to 192,2 million EUR (2012: 330,7 million EUR). Mainly explained by:

- The utilization of the provision concerning the decision of the European Commission related to the compensation for services of general economic interest. The provision of 124,9 million EUR created in 2012, for the risk related to a possible over-compensation of the 2011 and 2012 periods, was used in 2013.
- Decrease of the pension related provision by 9,2 million EUR, due to:
  - the end of career related provisions decrease by 6,3 million EUR (the utilizations for 18,2 million EUR are partially offset by set-up of new provision for the Collective Labor Agreement 2012);
  - the Accumulated Compensated Absences provision decrease by 2,9 million EUR (utilizations).
- Provisions for major maintenance and repairs decreased by 0,6 million EUR to 1,8 million EUR mainly due to a reassessment.

Long-term financial debts amount to 81,7 million EUR (2012: 90,8 million EUR) and consist mainly of a bank loan concluded in 2007 with the European Investment Bank. The decrease is due to the reimbursement of 9,1 million EUR for this loan, which will be repaid in installments until 2022.

The trade payables amount to 168,4 million EUR (2012: 173,5 million EUR). Other payables, composed of the short-term debts and advances received, have increased by 18,7 million EUR due to advances received to fund State related transactions.

The social debts decreased by 8,4 million EUR to 367,2 million EUR (2012: 375,6 million EUR) mainly explained by the decrease of rest arrears (10,7 million EUR), partially compensated by the accrual for non recurring bonus (3,2 million EUR).

**MANAGEMENT REPORT**

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Other debts decreased by 29,4 million EUR as:

- debts related to the company's role as financial service provider towards the State decreased by 79,5 million EUR, driven by the assignation portfolio and the final unwinding (early 2013) of the cash management arrangements that existed between bpost and the Belgian State treasury,
- Partially offset by the dividend to be paid 40,0 million EUR (2012: none).

The accrued charges and deferred income amount to 127,3 million EUR (2012: 157,3 million EUR) driven by the payment of the fine imposed by the Belgian Competition Authority amounting to 37,4 million EUR.

## MANAGEMENT REPORT

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### 5. Risks and uncertainties

bpost is currently involved in the following legal proceedings initiated by intermediaries:

- A claim for damages in an alleged (provisional) amount of approximately 19,9 million EUR (exclusive of late payment interest) in the context of legal proceedings initiated by Publimail NV-SA and pending before the Brussels commercial court.
- A claim for damages in an alleged (provisional) amount of approximately 28 million EUR (exclusive of late payment interest) in the context of legal proceedings initiated by Link2Biz International NV and pending before the Brussels commercial court. Certain aspects of the contractual relationship between Link2Biz and bpost are also the subject of a cease and desist order (adopted on June 21, 2010), which bpost has appealed in August 2010 and which is currently pending before the Brussels Court of Appeal.

All claims and allegations are contested by bpost.

Moreover, on July 20, 2011 the Belgian postal regulator ("BIPT/IBPT") concluded that certain aspects of the Company's 2010 pricing policy infringed the Belgian Postal Act and imposed a fine of 2,3 million EUR. While bpost paid the fine in 2012, it contests the BIPT/IBPT's findings and appealed the decision. The appeal is pending before the Brussels Court of Appeal.

On December 10, 2012, the Belgian Competition Authority concluded that certain aspects of the Company's pricing policy over the January 2010-July 2011 period infringed Belgian and European competition law and imposed a fine of approximately 37,4 million EUR. While bpost paid the fine in 2013, it contests the Belgian Competition Authority's findings and appealed the decision. The appeal is currently pending before the Brussels Court of Appeal.

Finally on December 31, 2013, bpost had 4911 auxiliary postmen. In 2013, 45 auxiliary postmen initiated a lawsuit against the Company in the Brussels and Charleroi Labor Courts claiming equal salary and benefits by reference to baremic contractual employees performing the same work, mainly under the non-discrimination provisions set forth in Articles 10 and 11 of the Belgian Constitution. All claims and allegations are contested by bpost.

However, if the courts were to find that this principle is applicable and bpost is found to have violated it, the labor courts will most likely order bpost to increase the compensation of the auxiliary postmen to the level of relevant baremic contractual employees and it cannot be excluded that other employees could bring similar claims.

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### 6. Research and Development

bpost SA-NV is developing new solutions and new products to enrich its existing offer towards the customers.

As a consequence, bpost is highly involved in innovation and R&D activities through the acquisition of new and innovative solutions/products or the development on a stand-alone or with partners of such new and innovative solutions. The R&D activities are also impacting the ICT and operational efficiency. As such, the R&D investments realized by bpost aim to reduce environmental impact of bpost.

### 7. Profit appropriation

This accounting year 2013 closes with a profit of 248,2 million EUR. The Board has proposed the payment of a dividend totalling 226,0 million EUR relating to the results of the year 2013. It has further proposed that the remainder of the profit of the year, amounting to 22,2 million EUR be carried forward.

### 8. Branches

The Company doesn't have any branches.

### 9. Important events after the balance sheet date

#### Koen Van Gerven new CEO of bpost

By Royal Decree dated February 26, 2014, the Belgian State appointed, on unanimous proposal of bpost's Board of Directors and upon recommendation of the Remuneration and Nomination Committee, Koen Van Gerven as the new CEO of bpost for a renewable term of 6 years.



## MANAGEMENT REPORT

### 10. Management and remuneration

#### Reference Code and introduction

This Corporate Governance Statement contains the rules and principles by which bpost's corporate governance is organized, which are contained in relevant legislation (including Law of March 21, 1991 on the reform of certain economic public companies (the "Law of 1991"), the Articles of Association and the Corporate Governance Charter). As a limited liability company under public law pursuant to the 1991 Law, general Belgian company law applies to the Company, except to the extent that the 1991 Law or any other Belgian laws or regulations adopted pursuant thereto provide otherwise.

The Company adopted new Articles of Association at the Shareholders' Meeting held on May 27, 2013. Any changes to the Articles of Association approved by the Shareholders' Meeting of the Company must be approved by the Belgian State pursuant to the 1991 Law. The latest version of the Company's Articles of Association has been approved by Royal Decree dated June 7, 2013 and are in effect since June 25, 2013.

The main characteristics of bpost's governance model are the following:

- a Board of Directors that defines the general policy and strategy of bpost and supervises the operational management;
- a Strategic Committee, an Audit Committee and a Remuneration and Nomination Committee created within the Board to assist and make recommendations to the Board;
- a CEO who is responsible for the operational management and to whom the Board of Directors has delegated powers of day-to-day management;
- a Management Committee that exercises the powers entrusted to it by the Law of 1991, the Articles of Association and the Board of Directors;
- a Group Executive Management that assists the CEO in the operational management of the Company;
- a clear division of responsibilities between the Chairperson of the Board of Directors and the CEO.

bpost is committed to high standards of corporate governance and relies on the Belgian Code on Corporate Governance of March 12, 2009 (the "Corporate Governance Code") as a reference code. The Corporate Governance Code is based on a "comply or explain" approach. Belgian listed companies should follow the Corporate Governance Code, but may deviate from its provisions provided they disclose the justification for any such deviation. The Board of Directors has adopted the Corporate Governance Charter, effective since June 25, 2013.

As a state-owned enterprise, the Company also aims to comply with most of the OECD Guidelines on Corporate Governance of State-owned Enterprises laid down in the OECD Code, to the extent permitted under the legal framework that applies to bpost, in particular the 1991 Law.



## MANAGEMENT REPORT

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### Departure from the Corporate Governance Code

The Board of Directors intends to comply with the Corporate Governance Code, except for provisions 4.2, 4.6 and 4.7 which cannot be followed due to deviations imposed upon the Company by the 1991 Law.

Pursuant to Article 18, §2 juncto and Article 148bis/3 of the 1991 Law, the Belgian State appoints directly a certain number of directors, whereas provision 4.2 requires a company's Board of Directors to make proposals for the appointment of directors via the Shareholders' Meeting. Pursuant to Article 18, §3 and Article 20, §2 of the 1991 Law, the directors of the Company are appointed for six years, whereas provision 4.6 provides that mandates of directors should not exceed four years. Finally, Article 18, §5 of the 1991 Law provides that the Chairperson is appointed by the Belgian State, whereas provision 4.7 states that the Board of Directors should appoint the chairperson.

## MANAGEMENT REPORT

### BOARD OF DIRECTORS

#### COMPOSITION

Until June 25, 2013, the Board of Directors was composed of:

- Five directors, including the Chairperson of the Board of Directors (the category A directors), appointed by the Belgian State by Royal Decree deliberated in the Council of Ministers;
- Four directors (the category B directors) appointed by the other shareholders (i.e., all shareholders except the public authorities); and
- The CEO, who belongs to neither of the aforementioned categories, but is appointed by the Belgian State via Royal Decree deliberated in the Council of Ministers.

Until such date, the Board was composed of the following members:

- Martine Durez (A) (Chairperson)
- Arthur Goethals (A)
- Luc Lallemand (A)
- Laurent Levaux (A)
- Caroline Ven (A)
- Geert Duyck (B)
- K.B. Pedersen (B)
- Søren Vestergaard-Poulsen (B)
- Bjarne Wind (B)
- Johnny Thijs (Chief Executive Officer)

Since June 25, 2013, the Board of Directors consists of up to 12 members, appointed as follows:

- Up to six directors, including the Chairperson of the Board of Directors and one director proposed by SFPI/FPIM, are appointed by the Belgian State by Royal Decree deliberated in the Council of Ministers, upon proposal of the Board of Directors after advice of the Remuneration and Nomination Committee;
- Three independent directors, within the meaning set out in Article 526ter of the Belgian Companies Code, are elected by an electoral college consisting of all shareholders of the Company other than public institutions (meaning Belgian public institutions or entities within the meaning of Article 42 of the Law of 21 March 1991 ("Public Institutions"), which encompasses the Belgian State and its affiliated entities, including SFPI/FPIM), upon proposal of the Board of Directors after advice of the Remuneration and Nomination Committee, it being understood that, for the election of these directors, no shareholder may cast votes representing in excess of 5% of total voting rights attached to the shares emitted by the Company ;
- So long as Post Invest Europe S.à.r.l. (alone or together with its affiliates) owns 15% or more of the shares with voting rights emitted by the Company, two directors are elected by an electoral college consisting of all shareholders of the Company other than Public Institutions upon the proposal of Post Invest Europe S.à.r.l. If Post Invest Europe S.à.r.l. (alone or together with its affiliates) owns 5% or more of the shares with voting rights emitted by the Company, but less than 15%, one director is so elected;
- If one or no directors have been appointed upon the proposal of Post Invest Europe S.à.r.l. in accordance with the above, the remaining director or directors are elected by an electoral college consisting of all shareholders of the Company other than Public Institutions, upon proposal of the Board of Directors after advice of the Remuneration and Nomination Committee; and

## MANAGEMENT REPORT

- The CEO is appointed by the Belgian State via Royal Decree deliberated in the Council of Ministers, upon proposal of the Board of Directors after advice of the Remuneration and Nomination Committee.

The Board was, as at December 31, 2013, composed of the following 11 members :

| Name  | Position                               | Director since      | Mandate expires     | Presence at meetings in 2013 <sup>(*)</sup> |
|---|--|---------------------|---------------------|---|
| Martine Durez <sup>(1)</sup> <sup>(2)</sup> | Non-Executive Chairperson of the Board | 2006                | 2018                | 21/21                                       |
| Johnny Thijs <sup>(1)</sup>                 | CEO and Director                       | 2000 <sup>(3)</sup> | 2014 <sup>(3)</sup> | 30/30                                       |
| Arthur Goethals <sup>(1)</sup>              | Non-Executive Director                 | 2006                | 2018                | 16/21                                       |
| Luc Lallemand <sup>(1)</sup>                | Non-Executive Director                 | 2002                | 2018                | 17/21                                       |
| Laurent Levaux <sup>(1)</sup>               | Non-Executive Director                 | 2012                | 2018                | 10/17                                       |
| Caroline Ven <sup>(1)</sup>                 | Non-Executive Director                 | 2012                | 2018                | 18/22                                       |
| K.B. Pedersen <sup>(4)</sup>                | Non-Executive Director                 | 2009                | 2018                | 15/17                                       |
| Bjarne Wind <sup>(4)</sup>                  | Non-Executive Director                 | 2008                | 2018                | 27/27                                       |
| François Cornelis                           | Independent Director                   | 2013                | 2019                | 9/11  |
| Sophie Dutordoir                            | Independent Director                   | 2013                | 2019                | 11/11                                       |
| Bruno Holthof                               | Independent Director                   | 2013                | 2019                | 9/11  |

<sup>(1)</sup> Appointed by the Belgian State.

<sup>(2)</sup> Martine Durez has been Chairperson of the Board of Directors since January 17, 2006. Her mandate was renewed as per January 17, 2012 by Royal Decree dated February 2, 2012.

<sup>(3)</sup> Appointed as CEO in 2002. On December 23, 2013, Mr. Thijs announced to the Board of Directors that he would not seek renewal of his mandate which was due to come to an end early January 2014. Upon request of the Board of Directors, as approved by the Belgian State, Mr. Thijs remained in function until appointment of his successor.

<sup>(4)</sup> Appointed upon proposal of Post Invest Europe Sàrl. Further to the sale, on December 16, 2013, by Post Invest Europe Sàrl. of substantially all its shares in the Company, Mr. K.B. Pedersen and Mr. Bjarne Wind have tendered their resignation to the Company effective as from the date their replacement is elected by an electoral college consisting of all shareholders of the Company other than Public Institutions.

<sup>(\*)</sup> Includes presence at Board and Board Committees' meetings held in 2013. Until the end of their mandates, Søren Vestergaard-Poulsen and Geert Duyck attended respectively 7 out of 9 and 11 out of 17 Board and Board Committees' meetings.

The composition of the Board of Directors reflects the gender representation requirements set forth in article 18, §2bis of the 1991 Law. It further takes into account the requirements laid down in article 518bis of the Belgian Companies Code. The composition of the Board of Directors reflects the language requirements set forth in Articles 16 and 148bis/1 of the 1991 Law.



## MANAGEMENT REPORT

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### POWERS AND FUNCTIONING

#### Powers and responsibilities of the Board

The Board of Directors is vested with the power to perform all acts that are necessary or useful for the realization of the Company's purpose, except for those actions that are specifically reserved by law or the Articles of Association to the Shareholders' Meeting or other management bodies.

In particular, the Board of Directors is responsible for:

- defining the general policy orientations of the Company and its subsidiaries;
- deciding all major strategic, financial and operational matters of the Company;
- overseeing the management by the CEO, the Management Committee and the Group Executive Management; and
- all other matters reserved to the Board by the Belgian Companies Code or the 1991 Law.

Certain decisions of the Board must be adopted by a special majority (see below). Within certain limits, the Board of Directors is entitled to delegate part of its powers to the Management Committee and to delegate special and limited powers to the CEO and other members of the Group Executive Management.

#### Functioning of the Board

In principle, the Board of Directors meets seven times a year, and in any event no fewer than five times a year. Additional meetings may be called with appropriate notice at any time to address specific needs of the business. A meeting of the Board of Directors must in any event be convened if so requested by at least two directors. In 2013, the Board met 16 times.

#### *Quorum*

The Board can only deliberate and make valid decisions if more than half of the directors are present or represented. The quorum requirement does not apply (i) to the vote on any matter at a subsequent meeting of the Board of Directors to which such matter has been deferred for lack of quorum at a prior meeting, if said subsequent meeting is held within 30 days from such prior meeting and the notice of said subsequent meeting sets forth the proposed decision on such matter with reference to this provision, or (ii) when an unforeseen emergency arises that makes it necessary for the Board to take action that would otherwise become time-barred by law or in order to avoid imminent harm to the Company.

#### *Deliberation and voting*

Pursuant to the Law of 1991, the following decisions require a two-thirds majority:

- the approval of all renewals or amendments to the Management Contract;
- the acquisition of participations in companies, associations and institutions that exceed one of the thresholds laid down in Article 13, §2, paragraph one, of the Law of 1991.

Furthermore, certain decisions within the competence of the Board as provided under Article 29, §2 of the Articles of Association require also a majority of two-thirds of the votes cast.

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Without prejudice to these special majority requirements set forth above, all decisions of the Board of Directors are adopted by a majority of the votes cast. In the case of a tie, the Chairperson has a casting vote.

In addition, the Corporate Governance Charter provides that Board decisions of strategic import, including the adoption of the business plan and the annual budget and decisions regarding strategic acquisitions, alliances and divestitures must be prepared by a standing or an ad hoc Board committee. For any such decisions, the Board shall strive to achieve broad support across its various constituencies, it being understood that, following appropriate dialogue and consultations, the Chairperson may call for a decision and the proposal shall carry if adopted by a majority of the votes cast.

### CORPORATE GOVERNANCE CHARTER

The Board of Directors has adopted the Corporate Governance Charter, effective since June 25, 2013. The Corporate Governance Charter has been amended once since its adoption further a decision of the Board of Directors dated November 7, 2013 (see next section). The Board of Directors will review the Company's corporate governance at regular intervals and adopt any changes deemed necessary and appropriate.

The Corporate Governance Charter contains rules with respect to:

- The duties of the Board of Directors and the Committees on the one hand and of the Management Committee, Group Executive Management and the CEO on the other;
- The responsibilities of the Chairperson and the Corporate Secretary;
- The requirements with which the members of the Board of Directors need to comply in order to ensure that they have the adequate experience, expertise and competences to fulfill their duties and responsibilities;
- A system of disclosure regarding mandates held and rules aimed at avoiding conflicts of interests and providing guidance on how to inform the Board in a transparent way in case such conflicts occur. The Board may decide to exclude the member who has a conflict of interest from the deliberations and vote on that subject.

The Board continuously evaluates and improves its functioning in order to steer the Company ever better and more efficiently.

In 2013, an induction program has been provided to newly appointed directors aimed at acquainting them with the activities and organization of the Company as well as with the rules laid down in the Corporate Governance Charter. This program is open to every director who wishes to participate. It includes visiting operational and sorting centers.



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### Transactions between the Company and its Board members and executive managers

A general policy on conflicts of interest applies within the Company and prohibits any situation of conflict of interests of a financial nature that may affect the personal judgment or professional tasks of a director to the detriment of bpost's group.

In accordance with Article 523 of the Belgian Companies Code, Mr. Johnny Thijs declared to have a conflict of interest in connection with the Employee Offering, item of the Board of Directors' meeting of May 17, 2013. Under the Employee Offering, management was entitled to acquire bpost's shares, within a tranche reserved to said management, at a discount available to employees and representing 16.67% compared to initial public offering price. He informed the Company's auditors of this conflict of interest and decided not to participate in the deliberation or voting on this item.

In accordance with Article 523 of the Belgian Companies Code, Mr. Johnny Thijs declared to have a conflict of interest in connection with the discussions on the renewal of its mandate as CEO of the Company (and related discussions on contractual terms), item of the Board of Directors' meeting of May 17, 2013 and December 4, 2013. He informed the Company's auditors of this conflict of interest and decided not to participate in the deliberation or voting on this item.

In addition, in a limited number of cases, one or the other member of the Board has preferred, in light of functional conflict of interests, to abstain from participating in debated and in voting.

On November 7, 2013, the Board of Directors adopted a policy, annexed to the Corporate Governance Charter, which governs decisions relating to the Management Contract or any contract to be entered between the Company or its affiliated companies and the Belgian State. Under the circumstances laid down in said policy, transactions entered between the Company or its affiliated companies and the Belgian State remain subject to the application of the procedure laid down in Article 524 of the Belgian Companies Code.

### Committees of the Board of Directors

The Board of Directors has established three Board committees, which are responsible for assisting the Board of Directors and making recommendations in specific fields: the Strategic Committee, the Audit Committee (in accordance with Article 526bis of the Belgian Companies Code) and the Remuneration and Nomination Committee (in accordance with Article 17, §4 of the 1991 Law and Article 526quater of the Belgian Companies Code). The terms of reference of these Board committees are primarily set out in the Corporate Governance Charter.

#### Strategic Committee

The Strategic Committee advises the Board of Directors on strategic matters and shall, in particular:

- review from time to time industry developments, the objectives and strategies of the Company and its subsidiaries and recommended corrective actions;
- review the draft of the business plan submitted each year by the Management Committee;

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- review strategic transactions proposed by the Management Committee or the Group Executive Committee, including strategic acquisitions and divestitures, the formation and termination of strategic alliances or longer-term cooperation agreements, the launching of new product segments and the entry into new products or geographical markets or the withdrawal from any such product segments or geographical markets;
  - monitor the implementation of such strategic projects and of the business plan; and
  - monitor the implementation and the progress of the projects identified in the business plan, and advise the Board of Directors on its findings and recommendations with respect to such projects.

Until June 25, 2013, the Strategic Committee was composed of Johnny Thijs (Chairperson), Arthur Goethals, Laurent Levaux, K.B. Pedersen and Søren Vestergaard-Poulsen.

Since June 25, 2013, the composition of the Strategic Committee has been set as follows: (i) the CEO, who chairs the committee, (ii) three directors appointed by the Belgian State (provided that, upon the termination of office of the first of such three directors who were designated members of this Committee, due to expiration of its term or otherwise, such director shall be replaced, within this Committee, by another director nominated by the electoral college composed of all shareholders except Public Institutions) and (iii) one director appointed upon the proposal of Post Invest Europe S.à.r.l. (if any) and, otherwise, a director nominated by the by the electoral college composed of all shareholders except Public Institutions.

The Strategic Committee was, at December 31, 2013, composed of Johnny Thijs (Chairperson), Arthur Goethals, LucALLEmand, Laurent Levaux and K.B. Pedersen.

The Strategic Committee met two times in 2013.

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### Audit Committee

The Audit Committee advises the Board on accounting, audit and internal control matters, and shall, in particular:

- review accounting policies and conventions;
- review the draft annual accounts and examine whether the proposed distribution of earnings and profits is consistent with the business plan and the observance of applicable solvency and debt coverage ratios;
- review the draft annual budget submitted by the Management Committee and monitor compliance with the budget in the course of the year;
- review the quality of financial information furnished to the shareholders and the market;
- monitor and oversee the internal audit process, internal controls and risk management, including for the Company and its subsidiaries as a whole;
- propose candidates for the two statutory auditors to be appointed by the Shareholders' Meeting to the Board of Auditors;
- monitor the statutory audit of the annual and consolidated accounts, including any follow-up on any questions and recommendations made by the external auditors; and
- review the external audit process and monitor the independence of the statutory auditors and any non-audit services rendered by them.

Until June 25, 2013, the Audit Committee was composed of Bjarne Wind (Chairperson), Geert Duyck, Luc Lallemand and Caroline Ven.

Since June 25, 2013, the composition of the Audit Committee has been set as follows: (i) three independent directors; (ii) one director appointed by the Belgian state; and (iii) either (a) another director appointed by the Belgian state or (b) so long as Post Invest Europe S.à.r.l. (alone or together with its affiliates) owns at least 15% of the shares with voting rights, one director appointed upon the proposal of Post Invest Europe S.à.r.l. The Chairperson of the Audit Committee is designated by the Board of Directors but shall not be the Chairperson of the Board of Directors. No executive director (including the CEO) shall be a member of the Audit Committee.

The Audit Committee was, at December 31, 2013, composed of François Cornelis (Chairperson), Sophie Dutordoir, Bruno Holthof, Caroline Ven and Bjarne Wind.

The Audit Committee met seven times in 2013.



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### Remuneration and Nomination Committee

The Remuneration and Nomination Committee advises the Board principally on matters regarding the appointment and remuneration of directors and senior management and shall, in particular:

- identify and nominate, for the approval of the Board, candidates to fill vacancies as they arise, taking into account the 1991 Law. In this respect, the Remuneration and Nomination Committee shall consider proposals made by relevant parties, including shareholders;
- advise on proposals for appointment originating from shareholders;
- advise the Board of Directors on its proposal to the Belgian government for the appointment of the CEO and on the CEO's proposals for the appointment of other members of the Management Committee and of the Group Executive Management;
- advise the Board of Directors on the remuneration of the CEO and the other members of the Management Committee and of the Group Executive Management and arrangements on early termination;
- review any share-based or other incentive scheme for the directors, members of the Management Committee, members of the Group Executive Management and employees;
- establish performance targets and conduct performance reviews for the CEO and other members of the Management Committee and of the Group Executive Management;
- advise the Board of Directors on the remuneration of the directors; and
- submit a remuneration report to the Board of Directors.

Until June 25, 2013, the Remuneration and Nomination Committee was composed of Martine Durez (Chairperson), Geert Duyck, Arthur Goethals and Bjarne Wind.

Since June 25, 2013, the composition of the Remuneration and Nomination Committee has been set as follows: (i) three independent directors; (ii) one non-executive director appointed by the Belgian state, who chairs the Remuneration and Nomination Committee; and (iii) either (a) another non-executive director appointed by the Belgian state or (b) so long as Post Invest Europe S.à.r.l. (alone or together with its affiliates) owns at least 15% of the shares with voting rights, one director appointed upon the proposal of Post Invest Europe S.à.r.l. The CEO participates with an advisory vote in the meetings of the Remuneration and Nomination Committee when the remuneration of the other members of the Management Committee is being discussed.

The Remuneration and Nomination Committee was, at December 31, 2013 composed of Martine Durez (Chairperson), Sophie Dutordoir, François Cornelis, Bruno Holthof, and Bjarne Wind.

The Remuneration and Nomination Committee met 5 times in 2013.

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### EXECUTIVE MANAGEMENT

#### CEO

The CEO is appointed for a renewable term of six years by Royal Decree deliberated in the Council of Ministers. On December 21, 2007, the mandate of Mr. Johnny Thijs was extended for a new term of six years, as from January 7, 2008 (which is renewable). On December 23, 2013, Mr. Thijs announced to the Board of Directors that he would not seek renewal of his mandate which was due to come to an end early January 2014. Upon request of the Board of Directors, as approved by the Belgian State, Mr. Thijs remained in function until appointment of his successor.

The CEO is vested with the day-to-day management of the Company. He is also entrusted with the execution of the resolutions of the Board of Directors and he represents the Company within the framework of its day-to-day management, including exercising the voting rights attached to shares and stakes held by the Company. The CEO can only be removed by way of a Royal Decree deliberated in the Council of Ministers.

#### Management Committee

As required by the 1991 Law, the Board of Directors has established a Management Committee. This Management Committee is composed of the CEO, who chairs the Management Committee, and of maximum six other members. Upon proposal of the CEO and after having received the advice of the Remuneration and Nomination Committee, the Board of Directors appoints and removes the members of the Management Committee, other than the CEO. The Board of Directors determines the term and the specific conditions of the mandate of those members, after having received the advice of the Remuneration and Nomination Committee. With regards to the Belgian members, the Management Committee should comprise an equal number of Dutch speakers and French speakers, excluding, as the case may be, the CEO.

The Management Committee acts as a collegial body and convenes at the invitation of the CEO. The Management Committee decides with a simple majority of the votes cast. In the event of a tie of the votes within the Management Committee, the CEO has the casting vote.

The Management Committee performs the powers assigned to it by the Articles of Association or the Board of Directors. Each year, the Management Committee prepares, under direction of the CEO, a business plan assessing the medium-term purposes and strategy of the Company, which is submitted to the Board of Directors for approval. It also has the power to negotiate all renewals and amendments to the Management Contract concluded between the Belgian State and the Company (it being understood that all such renewals and amendments require the subsequent approval of the Board of Directors).



## MANAGEMENT REPORT

### Group Executive Management

The operational management of the Company is undertaken by the Group Executive Management under the leadership of the CEO. The Group Executive Management consists of the members of the Management Committee and a maximum of four other members, who are appointed (for the duration the Board determines) and removed by the Board of Directors, upon proposal of the CEO and after having received the advice of the Remuneration and Nomination Committee. The Group Executive Management convenes regularly at the invitation of the CEO. The individual members of the Group Executive Management exercise the special powers delegated to them by the Board of Directors or the CEO, as the case may be.

The Management Committee was, at December 31, 2013, composed of the following members:

| Name          | Function   |
|---------------|--|
| Johnny Thijs  | Chief Executive Officer                            |
| Mark Michiels | Human Resources and Organization                   |
| Pierre Winand | Chief Financial Officer Service Operations and ICT |

Together with the members of the Management Committee, the following persons formed, at December 31, 2013, the Group Executive Management:

| Name            | Function                  |
|-----------------|---------------------------|
| Kurt Pierloot   | Mail Service Operations   |
| Peter Somers    | Parcels and International |
| Koen Van Gerven | Mail and Retail Solutions |

### Company Secretary

The Board of Directors, the advisory committees of the Board, the Management Committee and the Group Executive Management are assisted by the Company Secretary, Dirk Tirez, who is also the Company's Chief Legal Officer, having been appointed in October 2007.

### Board of Auditors

The audit of the financial condition and the unconsolidated financial statements of the Company is entrusted to a Board of Auditors composed of four members, two of which are appointed by the Shareholders' Meeting and the two others by the Court of Audit, the Belgian institution responsible for the verification of public accounts (Cour des Comptes/Rekenhof). The members of the Board of Auditors are appointed for renewable terms of three years. The Shareholders' Meeting determines the remuneration of the members of the Board of Auditors.

The Board of Auditors was, at December 31, 2013, composed of:

- Ernst & Young Bedrijfsrevisoren BV CVBA ("Ernst & Young"), represented by Mr. Eric Golenvaux (member of the Institut des Réviseurs

## MANAGEMENT REPORT

d'Entreprises/Instituut van de Bedrijfsrevisoren), De Kleetlaan 2, 1831 Diegem, Belgium;

- PVMD Bedrijfsrevisoren-Reviseurs d'Entreprises SC SCRL ("PVMD"), represented by Mr. Lieven Delva (member of the Institut des Réviseurs d'Entreprises/Instituut van de Bedrijfsrevisoren), Rue de l'Yser 207, 4430 Ans, Belgium;
- Mr. Philippe Roland, Member of the Court of Audit (Rekenhof/Cour des Comptes) and First President of the Court of Audit, Rue de la Régence 2, 1000 Brussels, Belgium; and
- Mr. Jozef Beckers, Member of the Court of Audit (Rekenhof/Cour des Comptes), Rue de la Régence 2, 1000 Brussels, Belgium.

The mandates of Mr. Philippe Roland and Mr. Josef Beckers which were due to expire on September 30, 2013 have been renewed a new term of three years. The mandates of Ernst & Young and PVMD will expire at the annual Shareholders' Meeting in 2015.

Ernst & Young and PVMD are responsible for the audit of the consolidated financial statements of the Company. For the year ended December 31, 2013 Ernst & Young and PVMD received 325.000 EUR (excluding value added tax) in fees for the audit of the financial statements of the Company and its subsidiaries and 73.500 EUR (excluding value-added tax) in fees for non-audit services. The other members of the Board of Auditors received 55.803 EUR in remuneration for their services in connection with the audit of the non-consolidated financial statements of the Company for the year ended December 31, 2013.

### GOVERNMENT COMMISSIONER

The Company is subject to the administrative supervision of the Belgian Minister responsible for public enterprises who exercises such control through a Government Commissioner. The role of the Government Commissioner is to ensure compliance with the requirements of Belgian law, the Articles of Association and the Management Contract. In addition, the Government Commissioner reports to the Minister of the Budget on all decisions of the Company having an impact on the Belgian state's budget.

The Government Commissioner is Mr. Luc Windmolders and his substitute is Mr. Marc Boeykens.

### LEGAL AND SHAREHOLDING STRUCTURE

The Company's shares are registered or dematerialized. At December 31, 2013, the share capital of the Company was represented by 200,000,944 shares. Each share entitles its holder to one vote. The shares are listed on the NYSE Euronext Brussels.

On June 26, 2013, Post Invest Europe S.à.r.l. notified that its shareholding in the Company was above the 15% threshold. With 35.599.008 bpost shares in its possession on June 21, 2013, Post Invest Europe S.à.r.l. had participation of 17,80% of the shares with voting rights emitted by bpost. On December 16, 2013, Post Invest Europe S.à.r.l. further notified that its shareholding in the Company was below the 3% threshold. At that date, Post Invest Europe S.à.r.l. held 4.062 bpost shares with voting rights.

## MANAGEMENT REPORT

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On June 27, 2013, the Belgian State and the Société Fédérale de Participation et d'Investissement SA (which is 100% owned by the Belgian State) ("SFPI/FPIM") notified that their shareholding in the Company was above the 20% and 25% thresholds respectively. With respectively 48.263.200 and 51.737.760 bpost shares in their possession on June 21, 2013, the Belgian State and the SFPI/FPIM together had a participation of 50% (respectively of 24,13% and 25,87%) of the shares with voting rights emitted by bpost (which jointly represents 50% plus 488 shares).

The transparency declarations are available on the website [www.bpost.be/ir](http://www.bpost.be/ir)  
The remaining shares are held by:

- Employees of the Company (including members of the Group Executive Management) who have subscribed to the Employee Offering which has taken place at same time as the listing of the Company on the NYSE Euronext Brussels. The shares so acquired are subject to a lock-up of two years which ends on July 15, 2015. One employee of the Company owns 976 shares as a result of options exercised under the former employee stock option plan (approved by the Board of Directors in 2006), such shares not being subject to any specific lock-up;
- Individual shareholders and European and international institutional shareholders who hold shares directly in the Company. None of these persons, either individually or in concert with others, have as at December 31, 2013, filed a transparency declaration informing that the initial 3% threshold was reached.

At December 31, 2013, the Company didn't hold any own shares.



## MANAGEMENT REPORT

### REMUNERATION REPORT

#### Declaration relating to the remuneration policy

As a limited liability company under public law and in compliance with applicable Corporate Governance requirements, bpost has developed a specific remuneration policy, decided by the Board of Directors upon recommendation of the Remuneration and Nomination Committee. The remuneration policy takes into account the different groups of employees of the Company and is regularly assessed and updated if and when appropriate. Any change in this policy is approved by the Remuneration and Nomination Committee.

The remuneration policy aims to offer an equitable reward package to all employees and directors, which is competitive with the Belgian reference market. The total reward package aims to a well-balanced mix of financial and non-financial elements. To that effect, a yearly comparison of the various compensation elements to the median of the Belgian reference market is carried out.

Furthermore, in order to achieve sustainable and profitable growth, performance at both collective and individual level are rewarded. Such reward system has the ambition to be an affordable and easy to understand system that is linked to corporate results, i.e. EBIT & Customer Loyalty and that allows differentiation at individual level in view of performance and talent. At the same time, it aims to create sustainable long term value.

The Company considers that a transparency communication on the principles and implementation of the remuneration policy is essential.

In general, bpost distinguishes different groups, for which the basis remuneration principles will be explained and detailed:

1. members of the Board of Directors;
2. CEO;
3. other members of the Management Committee and of the Group Executive Management.

#### Members of the Board of Directors

The remuneration of the members of the Board of Directors was decided by the Shareholders' Meeting of April 25, 2000.

Pursuant to that decision, the members of the Board of Directors (with the exception of the CEO) are entitled to receive the following gross annual remuneration:

- 38.772,56 EUR for the Chairperson, who also chairs the Joint Industrial Committee (*Paritair Comité / Commission Paritaire*) of bpost;
- 19.386,28 EUR for the other directors, with the exception of the CEO.

These amounts are indexed annually.

Pursuant to the abovementioned decision of the Shareholders' Meeting April 25, 2000, the members of the Board of Directors (with the exception of the CEO) are entitled to an attendance fee of 1.600,94 EUR (which as a result of indexation has increased to 1.618,44 EUR per meeting effective March 1, 2013) for attendance at one of the committees established by the Board of Directors.

## MANAGEMENT REPORT

No other benefits are paid to the members of the Board of Directors for their mandate as director.

Messrs. Søren Vestergaard-Poulsen and Geert Duyck have waived their right to the remuneration and attendance fees linked to their positions as a Board member.

During the financial year, the members of the Board of Directors received the following total gross annual remuneration:

| Member                           | Board meetings | Audit Committee             | Strategic Committee         | Remuneration & Nomination Committee | TOTAL         |
|----------------------------------|----------------|-----------------------------|-----------------------------|-------------------------------------|---------------|
| Martine Durez                    | 38.772,56 EUR  | Not a member                | Not a member                | 8.092,20 EUR                        | 46.864,76 EUR |
| Arthur Goethals                  | 19.386,28 EUR  | Not a member                | 0 EUR                       | 4.855,32 EUR <sup>(1)</sup>         | 24.241,60 EUR |
| Luc Lallemand                    | 19.386,28 EUR  | 6.473,76 EUR <sup>(2)</sup> | 1.618,44 EUR <sup>(2)</sup> | Not a member                        | 27.478,12 EUR |
| Laurent Levaux                   | 19.386,28 EUR  | Not a member                | 1.618,44 EUR                | Not a member                        | 21.004,72 EUR |
| Caroline Ven                     | 19.386,28 EUR  | 8.092,20 EUR                | Not a member                | Not a member                        | 27.478,48 EUR |
| Bjarne Wind                      | 19.386,28 EUR  | 9.710,64 EUR                | Not a member                | 8.092,20 EUR                        | 37.189,12 EUR |
| K.B. Pedersen                    | 19.386,28 EUR  | Not a member                | 1.618,44 EUR                | Not a member                        | 21.004,72 EUR |
| François Cornelis <sup>(3)</sup> | 11.329,08 EUR  | 3.236,88 EUR                | Not a member                | 0 EUR                               | 14.565,96 EUR |
| Sophie Dutordoir <sup>(3)</sup>  | 11.329,08 EUR  | 3.236,88 EUR                | Not a member                | 1.618,44 EUR                        | 16.184,40 EUR |
| Bruno Holthof <sup>(3)</sup>     | 11.329,08 EUR  | 1.618,44 EUR                | Not a member                | 1.618,44 EUR                        | 14.565,96 EUR |
| Geert Duyck                      | 0 EUR          | 0 EUR                       | Not a member                | 0 EUR                               | 0 EUR         |
| Søren Vestergaard-Poulsen        | 0 EUR          | Not a member                | 0 EUR                       | Not a member                        | 0 EUR         |

<sup>(1)</sup> Arthur Goethals was member of the Remuneration and Nomination Committee until 25 June 2013.

<sup>(2)</sup> Luc Lallemand was member of the Audit Committee until 25 June 2013 and became member of the Strategic Committee as from same date.

<sup>(3)</sup> Appointed as independent directors as from 25 June 2013.

### Remuneration of the CEO

The remuneration package of the CEO is reviewed annually by the Board of Directors upon recommendation of the Remuneration and Nomination Committee and is based on a market comparison with large Belgian companies.

For the year ending December 31, 2013, a remuneration of 1.176.132 EUR was paid to the CEO (compared to 1.123.209 EUR for the year ended December 31, 2012) and can be broken down as follows:

- base salary (gross remuneration): 788.212 EUR;
- variable remuneration (performance driven bonus paid in cash): 322.804 EUR (relating to the performance in 2012);
- pension and death in service coverage: 61.816 EUR;
- other compensation components (representation allowances): 3.300 EUR.

The CEO also benefits from the use of a company car for which the leasing costs was 23.960 EUR for the year.

No stock options were awarded in 2013 to the CEO and no options under previous stock option plan were still outstanding for exercise in 2013.



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### Remuneration of the other members of the Management Committee and Group Executive Management

The remuneration package of the other members of the Management Committee and Group Executive Management is reviewed annually and approved by the Board of Directors upon recommendation of the Remuneration and Nomination Committee and is based on a benchmark exercise comparing bpost with large Belgian companies.

The objective of bpost is to offer a total remuneration package which is in line with the median of the 'reference market', being understood that remuneration packages are set on a function level rather than on an individual basis.

To date, no fundamental changes to the policy are foreseen for the next two years.

The different elements of the remuneration package are:

#### *Base salary*

The base salary is benchmarked with other large Belgian companies, in line with the above principles.

The individual base salary is based on:

- Function;
- Relevant experience;
- Performance and competencies.

The performance of each individual is reviewed annually in a "Performance Management Process" (PMP).

#### *Variable salary*

A variable salary may be granted, based on the achievement of:

- corporate objectives;
- individual objectives.

The target variable salary is set as a percentage of annual base salary.

bpost uses a multiplication system whereby the actual variable salary paid out can vary depending on the corporate and individual performance and competencies.

The current remuneration policy does not provide for a specific contractual claw back stipulation in favour of the Company for the variable remuneration accorded on the basis of incorrect financial information.

#### *Other benefits*

bpost offers other benefits, such as pension, death and disability insurance, hospitalization insurance, company car, etc. These benefits are benchmarked regularly and adapted according to Belgian practices. Some of the benefits such as company car can vary according to the function. During 2013, no stock option plan has been introduced.

For the year ending December 31, 2013, a global remuneration of 3.356.613 EUR was paid to the members of the Group Executive Management, other than the CEO (compared to 3.258.115 EUR for the year ended December 31, 2012) and can be broken down as follows:

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- base salary: 1.864.495 EUR paid under an employment agreement, excluding social security contributions paid by bpost;
  - variable remuneration (performance driven bonus paid in cash) : 1.315.854 EUR (relating to the performance in 2012);
  - pension and death in service and disability coverage: 210.019 EUR;
  - other compensation components (representation allowances and luncheon vouchers): 20.048 EUR.

In addition of the above, the members of the Group Executive Management (other than the CEO) also benefit from the use a company car for which the leasing costs was 96.888 EUR for the year.

No stock options were awarded in 2013 to the other members of the Group Executive Management and no options under previous stock option plan were still outstanding for exercise in 2013.

### *Termination provisions*

Other than in the case of termination on grounds of gross negligence and in case of mandate termination before term of the then current mandate, the CEO is entitled to a termination indemnity corresponding to remuneration for the remainder of his six-year term, with a maximum of two years' remuneration. No other member of the Group Executive Management is entitled to specific contractual termination arrangements.

All members of the Group Executive Management, except for Mark Michiels, are subject to non-competition clauses for a period of 12 to 24 months from the date of their resignation or termination restricting their ability to work for bpost's competitors. All such members of the Group Executive Management, except for the CEO, are entitled to receive compensation in an amount equal to 6 to 12 months' salary if these non-competition clauses are applied.

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### INTERNAL CONTROL AND RISK MANAGEMENT

#### INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IN RELATION TO THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The following description of bpost's internal control and risk management activities is a factual description of the activities performed. The description uses the structure recommended by the Commission Corporate Governance.

##### Control environment

The control environment with regards to the preparation of the consolidated financial statements is organized through several functions.

The accounting and control organization consists of three levels: (i) the accounting team in the different legal entities responsible for the preparation and reporting of the financial information, (ii) the business controllers at the different operating units of the organization responsible inter alia for the review of the financial information in their area of responsibility, and (iii) the Group Finance Department, responsible for the final review of the financial information of the different legal entities and operating units and for the preparation of the consolidated financial statements.

Next to the structured controls outlined above, bpost's external auditors perform independent interim and year-end control procedures on the financial statements.

The Internal Audit Department conducts a risk based audit program to provide assurance on the internal control effectiveness and risk management in the different processes at legal entity level.

##### Risk assessment

Appropriate measures are taken to ensure a timely and qualitative reporting and to reduce the potential risks related to the financial reporting process, including: (i) careful and detailed planning of all activities, including owners and timings, (ii) guidelines which are communicated by Group Finance to the various participants in the process prior to the closing, including relevant points of attention, and (iii) follow-up and feedback of the timelines, quality and lessons learned in order to strive for continuous improvement. A quarterly review takes place of the financial results which are reviewed in details by Management and are presented to and reviewed by the Audit Committee. A half-year review of the financial results is also performed which are reviewed by and discussed with the Statutory Auditor. Material changes to the accounting principles are coordinated by the Group Finance Department, reviewed by the Statutory Auditor, approved by the Audit Committee, and by the Board of Directors of bpost. Material changes to the statutory accounting principles of bpost or of other group companies are approved by the relevant Boards of Directors.

##### Control activities

The proper application by the legal entities of the accounting principles as described in the notes to the financial statements and as communicated to them by the Group Finance Department, as well as the accuracy, consistency and completeness of the



## MANAGEMENT REPORT

reported information, is reviewed on an ongoing basis by the control organization (as described above) through a process of account justification and review. In addition, all relevant entities are controlled by the Internal Audit Department on a periodic basis. Policies and procedures are in place for the most important underlying processes (sales, procurement, investments, treasury, etc.) and are subject to: (i) regular controls by the respective management teams, and (ii) independent evaluation and review by the Internal Audit Department during their audit. A close monitoring of potential segregation of duties conflicts in the main IT system is carried out on a regular basis.

### Information and communication

All operating units of this company use an ERP system platform to support the efficient processing of business transactions and provide its management with transparent and reliable management information to monitor, control and direct its business operations. The provision of information technology services to run, maintain and develop those systems is performed by a professional IT service delivery department which is monitored on its delivery performance through service level agreements as well as performance and incident reporting. bpost has implemented management processes to ensure that appropriate measures are taken on a daily basis to sustain the performance, availability and integrity of its IT systems. Proper assignment of responsibilities, and coordination between the pertinent departments, ensures an efficient and timely communication process of periodic financial information to Management and to the Board of Directors. Information accuracy, security and availability are always considered by the Internal Audit Department as part of the regular audits or special assignments. Detailed financial information is provided on a monthly basis to Management and to the Board of Directors. The Company makes financial information available to the market on a quarterly, half-yearly and annual basis. Prior to the external reporting, the financial information is subject to (i) the appropriate controls by the abovementioned control organization, (ii) review by the Audit Committee, and (iii) approval by the Board of Directors of the Company.

### Monitoring

Any significant change of the accounting principles as applied by bpost is subject to approval by the Audit Committee and by the Board of Directors. When relevant, the members of the Audit Committee are updated on the evolution and important changes in the underlying standards. All relevant financial information is presented to the Audit Committee and the Board of Directors to enable them to analyze the financial statements. Relevant findings by the Internal Audit Department and/or the Statutory Auditor on the application of the accounting principles, as well as the adequacy of the policies and procedures, and segregation of duties, are reported to the Audit Committee on a quarterly basis. Also a quarterly treasury update is submitted to the Audit Committee. A procedure is in place to convene the appropriate governing body of the Company on short notice if and when circumstances so dictate.

## INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IN GENERAL

The Board of Directors and the Group Executive Management have approved the bpost Code of Conduct, which was first issued in 2007 and updated in 2011. The Code of Conduct sets forth the basic principles of how bpost wants to do business. Implementation of the Code of Conduct is mandatory for all companies of the Group. More detailed policies and guidelines are developed as considered necessary to ensure consistent implementation of the Code of Conduct throughout the Group.

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Furthermore, in order to comply with legislation on insider dealing and market manipulation, the Company adopted a Dealing and Disclosure Code prior to the initial public offering. This Code aims to create awareness about possible improper conduct by employees, senior employees and directors and contains strict rules of confidentiality and non-use of "price sensitive" information. The rules of this Code have been widely communicated within the Group and the Code is available to all employees. A list of employees having regular access to "price sensitive" information is kept, and key employees were requested to confirm that they have read and agreed to comply with the Dealing and Disclosure Code. Closed periods (including prohibited periods) are defined and communicated widely and any transaction on shares within such periods must be communicated to and cleared by the Compliance Officer.

In conformity with the law of August 2, 2002, persons exercising managing responsibilities have been informed of their obligation to declare to the Financial Services and Markets Authority every transaction involving shares of the Company.

bpost's internal control framework consists of a number of policies for the main business processes. The Internal Audit Department monitors the internal control situation and reports to the Audit Committee on a quarterly basis.

At the request of the Board of Directors and the Audit Committee, Management has developed a global enterprise risk management ('ERM') framework to assist the Group in managing the material risks on an explicit basis. This framework was partially implemented in 2013 and its roll-out will continue in 2014.



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**11. Information required by article 523 of the Companies code**

The Charter of the Board of Directors of bpost, which was adopted on January 17, 2006, provides that "the Board must immediately be informed about any potential conflicts of interest in respect of the Directors and an appropriate solution must be undertaken".

In accordance with Article 523 of the Belgian Companies Code, Mr. Johnny Thijs declared to have a conflict of interest in connection with the Employee Offering, item of the Board of Directors' meeting of May 17, 2013. Under the Employee Offering, management was entitled to acquire bpost's shares, within a tranche reserved to said management, at a discount available to employees and representing 16,67% compared to initial public offering price. He informed the Company's auditors of this conflict of interest and decided not to participate in the deliberation or voting on this item.

In accordance with Article 523 of the Belgian Companies Code, Mr. Johnny Thijs declared to have a conflict of interest in connection the discussions on the renewal of its mandate as CEO of the Company (and related discussions on contractual terms), item of the Board of Directors' meeting of May 17, 2013 and December 4, 2013. He informed the Company's auditors of this conflict of interest and decided not to participate in the deliberation or voting on this item.

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### **12. Information required by article 624 of the Companies code**

At the end of 2013, the article 624 of the Companies code is no more in force.