

Corporate Governance Statement

Reference Code and introduction

In this Corporate Governance Statement, bpost outlines the key aspects of its corporate governance framework. This framework is consistent with the rules and principles set out in the Law of March 21, 1991 on the reform of certain economic public companies, as amended from time to time (the “**1991 Law**”), the Articles of Association and the Corporate Governance Charter.

General Belgian company law is applicable to bpost, a limited liability company under public law, unless otherwise stipulated in the 1991 Law or other Belgian laws or regulations.

On January 12, 2016, the law of December 16, 2015, amending the 1991 Law (the “**December 2015 Law**”) entered into force. This law modernises the 1991 Law, in particular by (i) relaxing organisational constraints for certain public companies, including bpost, in order to create a more level playing field with other (private) companies, (ii) aligning corporate governance rules for listed public companies with those for listed (private) companies in Belgium and (iii) defining a framework allowing the Belgian government to decrease its participation below 50% plus one share, and the consequences thereof.

Pursuant to the December 2015 Law, bpost will no longer be an autonomous public sector company subject to the 1991 Law if the Belgian State’s participation in bpost’s capital were to drop below 50% plus one share. In this case, bpost would become entirely subject to the general Belgian company law.

The latest version of bpost’s Articles of Association was adopted at the Shareholders’ Meeting of May 11, 2016 and has been approved by the Royal Decree of September 1, 2016. This Royal Decree was published in the Belgian State Gazette on September 19, 2016 and has been in effect since September 29, 2016. Any changes to the Articles of Association, approved by the shareholders at bpost’s Shareholders’ Meeting (in accordance with Article 558 of the Belgian Companies Code), must also be approved by a Royal Decree following a debate in the Council of Ministers.

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

- ▶ the Board of Directors establishes general policy orientations and the strategy of bpost and supervises operational management;
- ▶ the Board of Directors has established a Strategic Committee, an Audit Committee and a Remuneration and Nomination Committee to assist and make recommendations to the Board of Directors;
- ▶ the ad hoc committee, comprises all independent directors of the Board of Directors and intervenes when the procedure prescribed by Article 524 of the Belgian Companies Code, as incorporated in bpost’s Corporate Governance Charter, is triggered;
- ▶ the CEO is responsible for the operational management. The Board of Directors has delegated to the CEO the powers of day-to-day management;
- ▶ the Group Executive Management assists the CEO with the operational management^(*);
- ▶ there is a clear division of responsibilities between the Board of Directors and CEO.

The Board of Directors has adopted the Corporate Governance Charter on May 27, 2013. The Charter has been effective since June 25, 2013 and was last amended by a decision of the Board of Directors of May 2, 2016, incorporating the changes brought by the December 2015 Law and the Articles of Association as adopted by the shareholders at the Shareholders’ Meeting of May 11, 2016.

Reference Code

bpost is committed to a high standard of corporate governance. It 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 available on the website of the Corporate Governance Committee (www.corporategovernancecommittee.be). 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.

To the extent permitted under the legal framework applicable to bpost, and in particular the 1991 Law, bpost, as an autonomous public sector enterprise, also aims to comply with most of the OECD Guidelines on Corporate Governance of State-owned Enterprises laid down in the OECD Code.

(*) Some of the members of the Group Executive Management are also member of the Management Committee, which only acts for the purposes provided in the 1991 Law.

Deviations from the Corporate Governance Code

The Board of Directors intends to comply with the Corporate Governance Code.

However, due to rules imposed on bpost by the 1991 Law (before entry into force of the December 2015 Law), bpost was not able to comply with provisions 4.2, 4.6, 4.7 and 6.3 of the Corporate Governance Code.

- ▶ Under the former Article 18, §2 *juncto* Article 148bis/3 of the 1991 Law, it was the Belgian State that had to directly appoint a certain number of directors. Under provision 4.2, the Board of Directors needs to propose directors for appointment by the shareholders at the Shareholders' Meeting.

Since the entry into force of the December 2015 Law on January 12, 2016, all directors are appointed by decision of the Shareholders' Meeting upon proposal by the Board of Directors (Article 54/6, 4° of the 1991 Law). Therefore, some directors appointed before January 12, 2016 have been appointed by the Belgian State, while as from January 12, 2016, all (new) directors will be appointed by decision of the Shareholders' Meeting.

- ▶ Under the former Article 18, §5 and Article 20, §2 of the 1991 Law, the Chairperson of the Board of Directors and the CEO had to be appointed by the Belgian State. Under provisions 4.7 and 6.3, it is the Board of Directors that should appoint the Chairperson of the Board of Directors and the CEO.

Since the entry into force of the December 2015 Law on January 12, 2016, the Board of Directors appoints the Chairperson of the Board of Directors and the CEO (Article 54/6, 4° and 5° of the 1991 Law). Consequently, in the future, and without prejudice to the current mandates of the Chairperson and the CEO, provision 4.7 and 6.3 shall fully apply.

- ▶ Under the former Article 18, §3 and Article 20, §2 (first sentence) of the 1991 Law, bpost directors were appointed for a term of six years. Under provision 4.6, the term cannot exceed four years.

Since the entry into force on May 15, 2014 of the Law of April 19, 2014 amending the 1991 Law, directors are appointed for four years (Article 148bis/1, §5 of the 1991 Law). Therefore, the directors appointed before May 15, 2014 were appointed for six years. Directors appointed after May 15, 2014 have been appointed to serve a term of four years.

Board of Directors

Composition

Until the December 2015 Law entered into force on January 12, 2016, the CEO and up to six directors, including the Chairperson of the Board of Directors, were appointed by Royal Decree debated within the Council of Ministers. The other directors were recommended by the Board of Directors following advice of the Remuneration and Nomination Committee and then elected by an electoral college, which consisted out of all bpost's shareholders except for Public Institutions (i.e., Belgian public institutions or entities within the meaning of Article 42 of the 1991 Law: the Belgian State and its affiliated entities, including SFPI/FPIM) (the "Electoral College").

The directors appointed by the Belgian State could only be removed by a Royal Decree debated in the Council of Ministers. The other directors could be removed at any time by a majority of the votes cast by the Electoral College.

Since the December 2015 Law entered into force on January 12, 2016, the composition of the Board of Directors is now governed as described below.

bpost's Articles of Association provide that there will be a maximum of 12 directors on the Board of Directors, including the CEO. The Board of Directors shall only comprise non-executive directors, except for the CEO. Each director will be appointed by the shareholders at the Shareholders' Meeting for a renewable term of four years (without prejudice to the restrictions for independent directors, as defined in Article 526ter, 2° of the Companies Code). The Board of Directors will solely nominate candidates that have been nominated by the Remuneration and Nomination committee.

Each shareholder holding at least 15% of bpost's shares has the right to nominate directors for appointment *pro rata* its shareholding. Directors nominated by a shareholder can be independent, provided they fulfill the criteria laid down in article 526ter of the Companies Code, but they must not be independent.

Except for the CEO and directors nominated by a shareholder, all directors have to be independent directors. In addition, the Board of Directors must at all times count at least three independent directors, fulfilling the criteria laid down in article 526ter of the Belgian Companies Code.

All directors (including the directors previously appointed by the Belgian State) can be removed by decision of the Shareholders' Meeting. It was explicitly provided in the December 2015 Law that its entry into force does not terminate the current director mandates. These mandates were continued and will expire as initially provided, notwithstanding the possibility for the shareholders to end these mandates at the Shareholders' Meeting in accordance with the Belgian Companies Code.

Should any of the director mandates become vacant, the remaining directors have the right, in accordance with Article 519 of the Belgian Companies Code, to temporarily fill such vacancy until a final appointment takes place in accordance with the abovementioned rules.

In addition, it is provided in the Corporate Governance Charter, as amended by a decision of the Board of Directors of May 2, 2016, that the term of office of a director will end immediately after the annual Shareholders' Meeting following his/her 70th birthday, unless the Board of Directors approves otherwise in exceptional cases. Directors are expected to resign from office at such annual Shareholders' Meeting.

The composition of the Board of Directors reflects the gender representation requirements set forth in Article 18, §2bis of the 1991 Law. bpost also intends to comply with these gender representation requirements in 2017. bpost further takes into account the gender 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 Article 16 and 148bis/1 of the 1991 Law.

The Board of Directors was, per December 31, 2016, composed of the following 12 members:

Name	Position	Director since	Mandate expires	Presence at Board meetings in 2016
Françoise Masai ⁽¹⁾⁽²⁾	Non-Executive Chairperson of the Board of Directors	2014	2018 ⁽⁵⁾	18/18
Koen Van Gerven ⁽¹⁾⁽³⁾	CEO and Director	2014	2020	18/18
Arthur Goethals ⁽¹⁾	Non-Executive Director	2006	2018 ⁽⁵⁾	13/18
Luc Lallemand ⁽¹⁾	Non-Executive Director	2002	2018	13/18
Bernadette Lambrechts ⁽¹⁾	Non-Executive Director	2014	2020	16/18
Laurent Levaux ⁽¹⁾	Non-Executive Director	2012	2018	11/18
Caroline Ven ⁽¹⁾	Non-Executive Director	2012	2018	15/18
Michael Stone ⁽⁴⁾	Independent Director	2014	2018	15/18
Ray Stewart ⁽⁴⁾	Independent Director	2014	2018	17/18
François Cornelis	Independent Director	2013	2019	16/18
Sophie Dutordoir	Independent Director	2013	2019 ⁽⁵⁾	16/18
Bruno Holthof	Independent Director	2013	2019 ⁽⁵⁾	15/18

(1) Appointed by the Belgian State.

(2) Françoise Masai was appointed as from June 23, 2014 by Royal Decree dated April 25, 2014.

(3) Appointed as CEO by Royal Decree dated February 26, 2014.

(4) Appointed by the general meeting of all shareholders of bpost other than Public Institutions held on September 22, 2014.

(5) This director has informed bpost that he/she will not complete the full tenure of his/her mandate as described below.

Françoise Masai and Arthur Goethals have reached the age limit of 70 in 2016. Both directors have indicated that they do not wish to complete the full tenure of their mandate and that they will resign from office as from the Shareholders' Meeting of May 10, 2017, in accordance with Article 3.2.5 of the Corporate Governance Charter.

Two independent directors have resigned from the Board of Directors. Sophie Dutordoir resigned on January 15, 2017. Her resignation became effective on February 28, 2017. Bruno Holthof resigned on January 3, 2017. His resignation will become effective as of the Shareholders' Meeting of May 10, 2017.

The Remuneration and Nomination Committee has launched a selection process for the nomination of three independent directors and one Dutch speaking Board member nominated by the majority shareholder. The Board of Directors intends to recommend candidates, nominated by the Remuneration and Nomination Committee, for appointment to the shareholders at the annual Shareholders' Meeting of May 10, 2017 to replace the directors that have resigned or will resign.

Powers and functioning

Powers and responsibilities of the Board of Directors

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

In particular, the Board of Directors is responsible for:

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

Certain Board of Directors decisions must be adopted by a special majority (see below *Deliberation and voting*).

The Board of Directors is entitled to delegate special and limited powers to the CEO and other members of senior management and can allow the sub-delegation of said powers.

Following the resolution adopted at the Shareholders' Meeting of May 27, 2013, the Board of Directors may, without any prior authorisation of the shareholders at the Shareholders' Meeting, in accordance with Articles 620 *et seq.* of the Belgian Companies Code and within the limits set out in these provisions, acquire, on or outside the stock market, its own shares, profit-sharing certificates or associated certificates for a price that will respect the legal requirements, but that will in any case not be more than 10% below the lowest closing price in the last thirty trading days preceding the transaction and not more than 5% above the highest closing price in the last thirty trading days preceding the transaction. This authorisation is valid for five years from May 27, 2013. This authorisation covers the acquisition on or outside the stock market by a direct subsidiary within the meaning and the limits set out by Article 627, indent 1 of the Belgian Companies Code. If the acquisition is made by bpost outside the stock market, even from a subsidiary, bpost shall comply with Article 620, §1, 5° of the Belgian Companies Code.

The Board of Director's specific authorisations to acquire, for bpost's account, bpost's own shares, profit-sharing certificates or associated certificates if such acquisition would be necessary to avoid serious and imminent harm, were not extended at the Shareholders' Meeting held on May 11, 2016. Therefore, the Board of Directors has no longer been authorised to acquire such instruments to avoid serious and imminent harm as of July 8, 2016.

The Board of Directors is also authorised to divest itself of part of or all the bpost shares, profit-sharing certificates or associated certificates at a price it determines, on or outside the stock market or in the framework of its remuneration policy to employees, directors or consultants of bpost or to prevent any serious and imminent harm to bpost. This authorisation is valid without any time restriction. The authorisation covers the divestment of the company's shares, profit-sharing certificates or associated certificates by a direct subsidiary within the meaning of Article 627, indent 1 of the Belgian Companies Code.

Functioning of the Board of Directors

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 2016, the Board of Directors met eighteen times.

Quorum

The Board of Directors 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 of Directors to take action that would otherwise become time-barred by law or in order to avoid imminent harm to bpost.

Deliberation and voting

Pursuant to the 1991 Law, decisions on the approval of all renewals or amendments to the management contract and certain decisions on the administrative law status of statutory employees require a two-thirds majority by the Board of Directors.

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

In exceptional circumstances, where the urgency of the matter and the interests of bpost so require, the Board resolutions may be approved by unanimous written consent of all directors. This written procedure may not be used for the approval of the annual accounts, the use of the authorised capital or the amendment of the management contract.

Without prejudice to the 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 of the Board of Directors has a casting vote.

In addition, the Corporate Governance Charter provides that Board of Directors' decisions of strategic importance, 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 of Directors shall strive to achieve broad support across its various constituencies, it being understood that, following appropriate dialogue and consultations, the Chairperson of the Board of Directors may call for a decision and the proposal shall carry if adopted by a majority of the votes cast.

Evaluation process of the Board of Directors

Under the Chairperson's lead, the Board of Directors conducts regular evaluations of its scope, composition, performance and that of its committees, as well as the interaction with the executive management. If needed, the Chairperson shall propose the necessary measures to remedy any weaknesses of the Board of Directors or of any of its committees.

In 2015, the assessment was facilitated by an external consultant. The assessment focused on the role and missions of the Board of Directors and its committees, its composition, its functioning, the information flows within the Board of Directors and with management, and its compliance with governance standards.

Following the 2015 external assessment, the Board of Directors decided to monitor and evaluate on a regular basis the main focus areas that came out of the external assessment. In 2016, the Board of Directors continued to follow-up on these focus areas.

Corporate Governance Charter

On May 27, 2013, the Board of Directors adopted the Corporate Governance Charter. This Charter entered into effect on June 25, 2013. The Corporate Governance Charter was last amended following the Board of Directors' decision of May 2, 2016. The Board of Directors will review bpost'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, Committees, Group Executive Management^(*) and CEO;
- ▶ the responsibilities of the Board of Directors' Chairperson and Corporate Secretary;
- ▶ the requirements that apply to the members of the Board of Directors to ensure that they have adequate experience, expertise and competences to fulfill their duties and responsibilities;
- ▶ a disclosure system on mandates held and rules aimed at avoiding conflicts of interests and providing guidance on how to inform the Board of Directors in a transparent way in case conflicts occur. The Board of Directors may decide to exclude the member who has a conflict of interest from the deliberations and vote on that subject.

The Board of Directors continuously evaluates and improves its functioning in order to steer bpost ever better and more efficiently.

An induction program is provided to newly appointed directors aimed at acquainting them with bpost's activities and organisation 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.

(*) Some of the members of the Group Executive Management are also member of the Management Committee, which only acts for the purposes provided in the 1991 Law.

Transactions between bpost, its Board members and executive managers

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

In accordance with Article 523 of the Belgian Companies Code, Mr. Koen Van Gerven declared to have a personal conflict of interest of patrimonial nature in connection with his annual evaluation as CEO. His annual evaluation was an item on the agenda of the Remuneration and Nomination Committee's meeting of April 20, 2016, and the Board of Directors' meeting of May 2, 2016. He informed bpost's auditors of this conflict of interest and decided not to participate in the deliberation or voting on this item. Below follows the extract of the Board of Directors' minutes relating to the annual evaluation of the CEO:

"Prior to discussing the annual evaluation of the CEO, the CEO declared to have a personal conflict of interest of a patrimonial nature aimed at by Article 523 of the Belgian Companies Code in respect of the agenda item which relates to the evaluation of his annual performance.

The CEO left the meeting room and did not participate in the deliberation or the decision regarding his annual evaluation. The CEO will instruct the auditors of his conflict of interest, in accordance with Article 523 of the Belgian Companies Code.

The Chairperson of the Remuneration and Nomination Committee reported on the meeting held 20 April 2016: (...)

Upon recommendation of the Remuneration and Nomination Committee, the Board of Directors unanimously approved the evaluation of the performance of the CEO and the proposed score".

Transactions between bpost and its majority shareholders

bpost's Corporate Governance Charter provides that the procedure set forth in Article 524 of the Belgian Companies Code shall be observed for any decisions regarding the management contract or other agreements with the Belgian state or other Public Institutions (other than those within the scope of Article 524, §1, last sub-paragraph of the Belgian Companies Code). In summary, these decisions are subject to a prior non-binding reasoned opinion of an *ad hoc* Board committee, consisting of at least three independent directors. The committee is assisted by an independent expert, selected by the committee, and bpost's auditor validates the financial data used. The procedure then requires the Board of Directors to substantiate its decision and the auditor to validate the financial data used by the Board of Directors.

The Board of Directors has established an *ad hoc* committee composed of all independent directors.

The Board of Directors did not need to apply the above procedure in 2016. The *ad hoc* committee did not meet in 2016.

Committees of the Board of Directors

Apart from the aforementioned *ad hoc* committee established pursuant to Article 524 of the Belgian Companies Code and bpost's Corporate Governance Charter, 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, Audit Committee (in accordance with Article 526bis of the Belgian Companies Code) and Remuneration and Nomination Committee (in accordance with Article 526quater of the Belgian Companies Code). The terms of reference of these Board committees are 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 industry developments on a regular basis, review objectives and strategies of bpost and its subsidiaries and recommend corrective actions;
- ▶ review the draft business plan submitted each year by the Group Executive Management;
- ▶ review strategic transactions proposed by the CEO or the Group Executive Management, including strategic acquisitions and divestitures, formation and termination of strategic alliances or longer-term cooperation agreements, launching of new product segments and entry into new products or geographical markets or withdrawal from any such product segments or geographical markets;
- ▶ monitor the implementation of such strategic projects and of the business plan.

The Strategic Committee comprises the CEO, who chairs the committee, and four directors, including at least one independent director.

The Strategic Committee was, per December 31, 2016, composed of the following five members:

Name	Position	Director since	Mandate expires	Presence at meetings in 2016
Arthur Goethals	Non-Executive Director	2006	2018 ⁽¹⁾	3/5
LucALLEmand	Non-Executive Director	2002	2018	4/5
Laurent Levaux	Non-Executive Director	2012	2018	3/5
Michael Stone	Independent Director	2014	2018	5/5
Koen Van Gerven (Chairperson)	CEO and Director	2014	2020	5/5

(1) Mr. Goethals has reached the age limit of 70 in 2016 and has indicated that he does not wish to complete the full tenure of his mandate. He will resign from office as from the Shareholders' Meeting of May 10, 2017.

The Strategic Committee met five times in 2016.

Audit Committee

The Audit Committee advises the Board of Directors 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 CEO or the Group Executive Management 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 bpost and its subsidiaries as a whole;
- ▶ propose candidates for the two statutory auditors to be appointed by the Shareholders' Meeting;
- ▶ 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, in particular regarding the provision of additional services to bpost.

The Audit Committee comprises five non-executive directors, including at least three independent directors.

All members of the Audit Committee have sufficient expertise in the field of accounting and audit. The Chairperson of the Audit Committee is competent in accounting and auditing as evidenced by his former executive positions at a.o. the Total group. The other members of the Audit Committee also hold or have held several board or executive mandates in top tier companies or organisations.

The Audit Committee was, per December 31, 2016, composed of the following five members:

Name	Position	Director since	Mandate expires	Presence at meetings in 2016
François Cornelis (Chairperson)	Independent Director	2013	2019	5/5
Sophie Dutordoir	Independent Director	2013	2019 ⁽¹⁾	4/5
Bernadette Lambrechts	Non-Executive Director	2014	2020	4/5
Ray Stewart	Independent Director	2014	2018	4/5
Caroline Ven	Non-Executive Director	2012	2018	5/5

(1) Sophie Dutordoir resigned from the Board of Directors on January 15, 2017. Her resignation became effective on February 28, 2017. The Board of Directors has appointed Michael Stone, independent director, as (temporary) member of the Audit Committee in replacement of Sophie Dutordoir.

The Audit Committee met five times in 2016.

Remuneration and Nomination Committee

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

- ▶ identify and nominate Board candidates to fill vacancies as they arise, thereby considering proposals made by relevant parties, including shareholders;
- ▶ nominate for appointment candidates nominated by shareholders (whether or not in application of their nomination right set forth in Article 21, §2 of the Articles of Association);
- ▶ advise the Board on the appointment of the Chairperson of the Board;
- ▶ advise the Board of Directors on the appointment of the CEO and on the CEO's proposals for the appointment of other members of the Group Executive Management;
- ▶ advise the Board of Directors on the remuneration of the CEO and other members of the Group Executive Management and arrangements on early termination;
- ▶ review any share-based or other incentive scheme for the directors, members of the Group Executive Management and employees;
- ▶ establish performance targets and conduct performance reviews for the CEO and other members 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.

The Remuneration and Nomination Committee comprises five non-executive directors, including three independent directors. 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 Group Executive Management is being discussed.

The Remuneration and Nomination Committee was, per December 31, 2016, composed of the following five members:

Name	Position	Director since	Mandate expires	Presence at meetings in 2016
François Cornelis	Independent Director	2013	2019	3/3
Sophie Dutordoir	Independent Director	2013	2019 ⁽¹⁾	3/3
Bruno Holthof	Independent Director	2013	2019 ⁽²⁾	3/3
Laurent Levaux	Non-Executive Director	2012	2018	3/3
Françoise Masai (Chairperson)	Non-Executive Chairperson of the Board of Directors	2014	2018	3/3

(1) Sophie Dutordoir resigned from the Board of Directors on January 15, 2017. Her resignation became effective on February 28, 2017. The Board of Directors has appointed Michael Stone, independent director, as (temporary) member of the Remuneration and Nomination Committee in replacement of Sophie Dutordoir.

(2) Bruno Holthof resigned from the Board on January 3, 2017. His resignation will become effective as of the Shareholders' Meeting of May 10, 2017.

The Remuneration and Nomination Committee met three times in 2016.

In 2016, the Remuneration and Nomination Committee reflected (amongst other things) on changes to the remuneration policy (e.g., long-term incentive schemes) further to a new benchmark exercise with competitive companies.

Executive Management

CEO

Until the December 2015 Law entered into force on January 12, 2016, the CEO was appointed by the Belgian State, by Royal Decree, deliberated in the Council of Ministers.

Since the December 2015 Law entered into force on January 12, 2016, the CEO is appointed by the Board of Directors, following nomination by the Remuneration and Nomination Committee.

It is explicitly provided in the December 2015 Law that its entry into force does not terminate the current mandate of the CEO.

The current CEO is appointed for a term of six years by Royal Decree of February 26, 2014, deliberated in the Council of Ministers.

The CEO is vested with the day-to-day management of bpost. He is also entrusted with the execution of the Board of Directors' resolutions and he represents bpost within the framework of its day-to-day management, including exercising the voting rights attached to shares and stakes held by bpost.

The CEO can be removed by the Board of Directors.

Group Executive Management

bpost's operational management is ensured by the Group Executive Management and is led by the CEO. The Group Executive Management consists of the members of the Management Committee and maximum four other members, appointed (for the duration the Board determines) and removed by the Board of Directors, following a recommendation by the CEO and advice of the Remuneration and Nomination Committee.

The Group Executive Management convenes regularly at the invitation of the CEO. The Group Executive Management is assisted by the Company Secretary.

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. Within the limits of the powers assigned to them, the members of the Group Executive Management may delegate to one or more members of staff of bpost special and limited powers. The members of the Group Executive Management may allow sub-delegation of these powers.

The Group Executive Management prepares, under direction of the CEO, a business plan assessing the medium-term purposes and strategy of bpost, which is submitted to the Board of Directors for approval.

The Group Executive Management was, per December 31, 2016, composed of the following members:

Name	Function
Koen Van Gerven	Chief Executive Officer
Koen Beeckmans	Chief Financial Officer, Service Operations & ICT
Philippe Dubois	Director Mail Service Operations
Marc Huybrechts	Director Mail & Retail Solutions
Mark Michiels	Chief Human Resources & Organisation
Kurt Pierloot	Director Parcels & Logistics

The 1991 Law contains several provisions detailing the composition, appointment and functioning of a Management Committee. Since the December 2015 Law has entered into force on January 12, 2016, these provisions no longer apply to bpost. Hence, the powers to be assigned to the Management Committee on the basis of the 1991 Law are limited to the negotiation of the management contract with the Belgian State (it being understood that the management contract requires the subsequent approval of the Board of Directors).

Therefore, the Management Committee will only remain in force for the limited purposes and tasks assigned to it by the amended 1991 Law.

The Management Committee is composed of the CEO, who chairs the Management Committee, and the current members of the Group Executive Management with the exception of the CHRO Mark Michiels.

Company Secretary

The Board of Directors and its Chairperson, the committees of the Board of Directors and its Chairpersons and the Group Executive Management are assisted by the Company Secretary, Dirk Tirez, who is also bpost's Chief Legal Officer. He was appointed in October 2007.

Board of Auditors

The Board of Auditors audits bpost's financial condition and unconsolidated financial statements. The Board of Auditors comprises four members, two of which are appointed by the shareholders at the Shareholders' Meeting. The other two members are appointed by the Court of Audit, the Belgian institution responsible for the verification of public accounts (*Cour des Comptes/Rekenhof*). The Board of Auditors' members are appointed for renewable terms of three years. The Shareholders' Meeting determines the remuneration of the Board of Auditors' members.

The Board of Auditors was, at December 31, 2016, composed of:

- ▶ Ernst & Young Bedrijfsrevisoren BV CVBA ("EY"), represented by Mr. Eric Golenvaux (member of the Institut des Réviseurs d'Entreprises/Instituut van de Bedrijfsrevisoren), De Kleetlaan 2, 1831 Diegem, Belgium;
- ▶ PVMD Bedrijfsrevisoren-Reviseurs d'Entreprises SC SCRL ("PVMD"), represented by Mrs. Caroline Baert (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. Jozef Beckers were renewed for a new term of three years in 2016 and will run up until September 30, 2019. The mandates of EY and PVMD were renewed for a new term of three years by decision of the Shareholders' Meeting of May 13, 2015 (up until the annual Shareholders' Meeting of 2018).

EY and PVMD are responsible for the audit of bpost's consolidated financial statements. For the year ended December 31, 2016, EY and PVMD received EUR 333,850.00 (excluding value added tax) in fees for the audit of the financial statements of bpost and its subsidiaries and EUR 268,464.11 (excluding value-added tax) in fees for non-audit services. The other members of the Board of Auditors received EUR 53,723.20 in remuneration for their services in connection with the audit of bpost's non-consolidated financial statements for the year ended December 31, 2016.

Shareholding structure and shareholders rights

bpost's shares are registered or dematerialised. At December 31, 2016, bpost's share capital was represented by 200,000,944 shares. The shares are listed on the NYSE Euronext Brussels.

With respectively 48,263,200 and 53,812,449 bpost shares in their possession on December 31, 2016, the Belgian State and the SFPI/FPIM together had a participation of 51.04% (respectively of 24.13% and 26.91%) of the shares with voting rights emitted by bpost.

The remaining shares are held by individual shareholders and European and international institutional shareholders who hold shares directly in bpost. None of these persons, either individually or in concert with others, have per December 31, 2016, filed a transparency declaration informing that the initial 3% threshold was reached.

The shares are freely transferable, provided that, according to Article 147bis of the 1991 Law and Article 16 of the Articles of Association, the direct participation of Public Institutions in the registered capital exceeds at any time 50%. However, since the December 2015 Law entered into force on January 12, 2016, the Belgian Government is empowered until December 31, 2018 to approve, by Royal Decree discussed in the Council of Ministers, transaction(s) that cause the direct participation of Public Institutions to drop below 50% plus one share (Article 54/7 §1 of the 1991 Law).

At December 31, 2016, bpost did not hold any own shares.

Each share entitles its holder to one vote. Except as required by the Belgian Companies Code, all shareholder resolutions are adopted at the Shareholders' Meeting by a majority of the votes cast.

Apart from the restrictions on voting rights imposed by law, the Articles of Association provide that, in the event shares are held by more than one owner, are pledged, or if the rights attached to the shares are subject to joint ownership, usufruct or any other kind of split of such rights, the Board of Directors may suspend the exercise of the rights attached to such shares until one person has been appointed as the sole representative of the relevant shares vis-à-vis bpost.

Remuneration report

Procedure applied to develop a remuneration policy and fix individual remuneration of management

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

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

Furthermore, to achieve sustainable and profitable growth, performance at both the collective and individual level is rewarded. Such reward system has the ambition to be an affordable and straightforward system that is linked to corporate results, such as EBIT and 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.

bpost considers that a transparent communication on the principles and implementation of the remuneration policy is essential.

bpost distinguishes three different groups, for which the basic remuneration principles will be explained and detailed hereafter:

1. members of the Board of Directors;
2. CEO;
3. members of the Group Executive Management^(*).

The content of this report does not relate to bpost's Belgian and foreign subsidiaries. With regard to the foreign subsidiaries, a separate remuneration policy has been established, in line with market standards. This policy is likely to attract and retain qualified and experienced executives.

Remuneration principles

Remuneration of the Members of the Board of Directors

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

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

- ▶ EUR 39,885.33 for the Board of Directors' Chairperson, who also chairs the Joint Industrial Committee (*Paritair Comité / Commission Paritaire*) of bpost, as indexed per March 1, 2016;
- ▶ EUR 19,942.73 for the other directors, with the exception of the CEO, as indexed per March 1, 2016.

These amounts are indexed annually.

Following the decision of the shareholders at the Shareholders' Meeting of April 25, 2000, the members of the Board of Directors (with the exception of the CEO) are also entitled to an attendance fee of EUR 1,666.35 per attendance at one of the Committees established by the Board of Directors.

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

The CEO is not entitled to any kind of remuneration for attendance to any of the Board of Directors or Board Committee meetings.

(*) Some of the members of the Group Executive Management are also a member of the Management Committee.

During the financial year 2016, the members of the Board of Directors, with the exception of the CEO, received the following total gross annual remuneration^(*):

Member	Board meetings	Audit Committee	Strategic Committee ^(**)	Remuneration & Nomination Committee	TOTAL
Arthur Goethals	EUR 19,942.73	N/A	EUR 4,972.32	N/A	EUR 24,915.05
Luc Lallemand	EUR 19,942.73	N/A	EUR 6,611.94	N/A	EUR 26,554.67
Laurent Levaux	EUR 19,942.73	N/A	EUR 4,945.59	EUR 4,999.05	EUR 29,887.37
Caroline Ven	EUR 19,942.73	EUR 9,971.37	N/A	N/A	EUR 29,914.10
François Cornelis	EUR 19,942.73	EUR 9,971.37	N/A	EUR 4,999.05	EUR 34,913.15
Sophie Dutordoir	EUR 19,942.73	EUR 6,665.40	N/A	EUR 4,999.05	EUR 31,607.18
Bruno Holthof	EUR 19,942.73	N/A	N/A	EUR 4,999.05	EUR 24,941.78
Françoise Masai	EUR 39,885.33	N/A	N/A	EUR 4,999.05	EUR 44,884.38
Ray Stewart	EUR 19,942.73	EUR 6,665.40	N/A	N/A	EUR 26,608.13
Michael Stone	EUR 19,942.73	N/A	EUR 8,278.29	N/A	EUR 28,221.02
Bernadette Lambrechts	EUR 19,942.73	EUR 8,305.02	N/A	N/A	EUR 28,247.75

(*) These amounts cover all amounts paid out in FY 2016. Please note that attendance fees are only paid out in the month following the attended Board Committee meeting. This means that the amounts paid out in FY 2016 relate to attendance to Board Committee meetings held from December 2015 until November 2016.

(**) Please note that erroneously the attendance fee of one Strategic Committee meeting in 2016 was not paid out in FY 2016 and will be paid in FY 2017.

Remuneration of the CEO

The remuneration package of the CEO consists of a base salary of EUR 472,195.20 (as indexed per July 1, 2016), a short-term on target variable remuneration of EUR 150,000, a pension contribution of EUR 32,480.04 and various other components such as death in service, disability and medical coverage, representation allowances and a company car.

The CEO's variable remuneration is granted under the terms and conditions defined on an annual basis and approved by bpost's Board of Directors, following a recommendation of the Remuneration and Nomination Committee. For performance in 2016 (for which payment occurs in 2017), the Board of Directors agreed to apply similar conditions and modalities as applicable to bpost's management population: the short-term variable remuneration is based on a 'multiplier system' whereby the actual variable salary paid out can vary depending on the corporate and individual performance and competences.

For the CEO, the corporate objectives are financial (EBIT – weight 70% / Operating Free Cash Flow – weight 30%). The pay-out grid was determined and validated by the Board of Directors following a recommendation of the Remuneration and Nomination Committee. Maximum pay-out per criterion is set at 135%.

Individual objectives are mutually agreed between the CEO and Board of Directors. Clear deliverables and KPI's to be reached in an agreed timeframe are set. The pay-out range for the CEO is in line with the pay-out range principles that apply to the members of the Group Executive Management.

The remuneration paid to Koen Van Gerven in 2016 for his performance over the year ending December 31, 2016 amounts to EUR 570,648.12 (compared to EUR 549,429 in 2015) and can be broken down as follows:

- ▶ base salary: EUR 472,195.20 (gross);
- ▶ variable remuneration: to be determined and paid in 2017 after evaluation of performance;
- ▶ pension, death in service, disability and medical coverage: EUR 75,961.80;
- ▶ other compensation components (representation allowances): EUR 3,300;
- ▶ leasing costs for company car: EUR 19,191.12.

In addition, the CEO was paid in 2016 a variable remuneration of EUR 258,772 for his performance for the year ending December 31, 2015 (as the 2015 performance evaluation was only determined in 2016).

No shares, stock options or other rights to award shares were granted to or exercised by the CEO or expired in 2016. No options under previous stock option plans were still outstanding for exercise in 2016.

While there are no future changes as to the remuneration of the CEO at this stage, the Remuneration and Nomination Committee will reflect from time to time on changes to the remuneration policy in light of market practice.

Remuneration of the Group Executive Management members^(*)

The remuneration package of the Group Executive Management is reviewed on a regular basis and approved by the Board of Directors following a recommendation by the Nomination and Remuneration Committee. It is based on a benchmark exercise comparing bpost with large Belgian companies.

bpost's objective is to offer a total remuneration package that is in line with the median of the reference market.

While there are no future changes as to the remuneration of the Group Executive Management at this stage, the Remuneration and Nomination Committee will reflect from time to time on changes to the remuneration policy in light of market practice.

The different elements of the remuneration package are:

Base salary

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

The individual base salary is based on:

- ▶ function;
- ▶ relevant experience;
- ▶ performance.

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 the annual base salary.

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

The corporate objectives are both financial (EBIT – weight 70%) and non-financial (customer loyalty – weight 30%). Per criterion, a pay-out grid is determined and validated each year by the Board of Directors following a recommendation by the Remuneration and Nomination Committee. Maximum pay-out per criterion is set at 135%.

Individual objectives are mutually agreed between each member of the Group Executive Management and the CEO at the start of the Performance Management Process (PMP). Clear deliverables and KPI's to be reached in an agreed timeframe are set. Pay-out range goes from 0% in case of underperformance to 160% in case of over-performance.

Other benefits

bpost offers other benefits, such as pension, death in service and disability insurance, medical insurance, company car, etc. These benefits are benchmarked regularly and adapted according to standard practices.

Global remuneration

The global remuneration paid in 2016 to the Group Executive Management members, other than the CEO, for performance over the year ending December 31, 2016 amounts to EUR 1,982,514.55 (compared to EUR 1,553,004 in 2015) and can be broken down as follows:

- ▶ base salary: EUR 1,671,984.85 (gross) paid under employment agreements, excluding social security contributions paid by bpost;
- ▶ variable remuneration: to be determined and paid in 2017 after evaluation of performance;
- ▶ pension, death in service, disability and medical coverage: EUR 204,551.04;
- ▶ other compensation components (representation allowances and luncheon vouchers): EUR 20,285.10;
- ▶ leasing costs for company car: EUR 85,693.56.

(*) Some of the members of the Group Executive Management are also a member of the Management Committee.

In addition, the Group Executive Management members were paid in 2016 a global variable remuneration of EUR 738,918.44 (gross) for their performance for the year ending December 31, 2015 (as the 2015 performance evaluation was only determined in 2016).

No shares, stock options or other rights to award shares were granted to or exercised by the Group Executive Management members or expired in 2016. No options under previous stock option plans were still outstanding for exercise in 2016.

Clawback provisions

The current remuneration policy does not provide for a specific contractual clawback stipulation in favour of bpost for the variable remuneration granted on the basis of incorrect financial information.

Termination provisions

In case of termination by bpost before the end of the current mandate and not for reason of material breach, the CEO is entitled to a termination indemnity of EUR 500,000. Additionally, the CEO is entitled to the use of a vehicle for six months after the date of termination, including all expenses relating to the use of this vehicle, except for the fuel card.

No other member of the Group Executive Management is entitled to specific contractual termination arrangements, except for Marc Huybrechts, who is entitled to a minimum severance pay of six months in case of dismissal without cause, and Koen Beeckmans, who is entitled to a minimum notice period or severance pay of twelve months compensation in case of dismissal without cause, it being understood that the latter is decreased to six months if the non-compete clause is applied.

In case of automatic termination upon expiry of the six-year term and the appointment by bpost of another CEO, the CEO is subject to a non-compete clause for a period of one year from the date of termination of his mandate. He will receive a non-competition indemnity of EUR 500,000, unless bpost waives the application of such clause.

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

Internal control and risk management

bpost's Enterprise Risk Management ("ERM") framework assists bpost in managing risks effectively and implementing the necessary controls to pursue its objectives. The ERM framework covers: (i) risk management, allowing bpost to take informed decisions on risks it is willing to take to achieve its strategic objectives, thereby taking into account external factors; and (ii) internal control activities, which include all internal policies, procedures and business practices to mitigate risks. Best practices in risk management and internal control activities (e.g., international standard ISO31000) and the Commission on Corporate Governance's directions have been used as references to define the ERM framework.

In general, the objective is to provide a reasonable assurance regarding (i) compliance with applicable laws and regulations, (ii) reliability of financial and non-financial information, and (iii) effectiveness of internal processes. A "reasonable assurance level" is a high, but not an absolute level, given that all internal control systems have limitations linked to, e.g., human error, wrong decisions or choices on cost/benefit of control.

The following description of bpost's internal control and risk management activities is factual and aims at describing the activities' main characteristics.

Control environment

The control environment promotes employee awareness and compliance, defines clear roles and responsibilities, publishes quality guidelines and demonstrates the commitment of bpost's Group Executive Management and Board of Directors.

Commitment to integrity and ethical values

"Earning trust" is one of bpost's four key values. The Board of Directors and Group Executive Management have approved bpost's Code of Conduct, which was first issued in 2007. The Code describes the basic principles on how bpost wants to conduct business and the consequences in case of violations. The Code also sets out guidelines to prevent misuse of privacy sensitive and other privileged information and to support sustainable ways of working on environment and society as a whole. The Code of Conduct is provided to all new employees as part of the onboarding process. It is also made available on bpost's intranet and referred to during trainings. Any violations of the Code of Conduct or fraudulent behaviour can be reported to the Integrity department, triggering an investigation and further follow-up.

Furthermore, in order to comply with insider trading and market manipulation regulations, bpost has adopted a Dealing and Disclosure Code, which is amended from time to time to be in line with the most recent market abuse laws and regulations. This Code aims at creating awareness around possible improper conduct by employees, senior employees and persons discharging managerial responsibilities (being members of the Board of Directors and of the Group Executive Management) and their associated persons. The Code contains strict rules on confidentiality, non-use of “price sensitive” information and dealing restrictions. The rules of this Code have been widely communicated within the Group and the Code is available to all employees, senior employees and persons discharging managerial responsibilities. In conformity with the Market Abuse Regulation of April 16, 2014, persons discharging managerial responsibilities at bpost have been informed of their obligations in relation to insider trading under the Market Abuse Regulation.

Commitment to corporate governance fostering accountability

The Board of Directors supervises the operational management. The Audit Committee advises the Board of Directors on accounting, audit and internal control matters. Without prejudice to the monitoring role of the Board of Directors, the Group Executive Management establishes risk management and internal control guidelines and procedures and monitors their effective roll-out. A “three lines of defense” model has been implemented:

- ▶ the operational management is responsible for the design and maintenance of risk management and internal controls (first line);
- ▶ the second line functions, such as Legal, Health & Safety, Security or Integrity, provide expert support to the first line operational management. The overall roll-out and coordination of the risk management and internal control activities is centralised within the Risk & Control department. All second line functions report at least annually to the Group Executive Management on the risk evolutions in their respective domains;
- ▶ finally, Corporate Audit, responsible for the internal audits of bpost Group, constitutes the third line of defense. The Corporate Audit Director reports to the Audit Committee’s Chairperson and CEO.

Commitment to employee development and competence

Good leadership is invaluable and generates better results for bpost. In September 2015, bpost rolled-out the “Leading@bpost” program that identifies accountability and continuous learning as two key values. To develop skills, bpost has established its own training center. Technical courses are held in the business units (e.g., training on the International Financial Reporting Standards (“IFRS”) used to prepare bpost’s consolidated financial statement) and *ad hoc* courses are developed on a need-to-have basis. Personal development is driven by clear job descriptions and a structured bi-annual evaluation. *Ad hoc* coaching sessions are promoted.

Risk assessment

The purpose of risk management, embedded in the ERM framework, is to deliver a consistent corporate approach and establish a sound risk management culture. Three types of risk management activities are performed. First, a strategic risk assessment takes place as part of the process to define/ revise bpost’s strategy. Each Business Unit further assesses its operational risks on a quarterly basis. Finally, there is risk and internal control management at a process, product or project level. This includes an evaluation of the adequacy of the most important internal controls to mitigate risks at a process, product or project level. The same structured risk management process is applied to the following three types of risk activities:

- ▶ identification of the risks that may have an impact on realising the objectives;
- ▶ assessment of risks in order to prioritise them;
- ▶ decision on risk responses and action plans to address key risks;
- ▶ monitoring action plan implementation and overall risk evolutions and identification of emerging risks.

The coherence of the three different types of risk activities is ensured by using a single framework of risk evaluation criteria to assess the risks. This ensures the right risks are circulated, both top-down and bottom-up.

More information can be found in the “Risk Management” section of the annual report (note 6.5).

Control activities

In general

A process management framework is defined based on the Business Process Methodology (“BPM”). As such, policies and procedures are established for the key processes (sales, procurement, investments, treasury, etc.). They are subject to regular controls. Internal control dashboards are monitored where relevant.

All Group companies use an Enterprise Resource Planning (“ERP”) system or accounting software to support efficient processing of business transactions, to perform accounting and to deliver data for consolidation. These systems provide management with transparent and reliable information in order to monitor, control and direct business operations. A close monitoring of potential conflicts of separation of duties in the ERP system is carried out on a regular basis. bpost has established management processes to ensure the implementation of appropriate measures on a daily basis to sustain the performance, availability and integrity of its IT systems. The adequacy and effectiveness is monitored through internal service level agreements as well as periodic performance and incident reporting to the different Business Units involved.

Specifically related to the financial statements

Systematic and structured finance processes ensure a timely and qualitative reporting. These processes include the following main activities or controls:

- ▶ careful and detailed planning of all activities, including owners and timings;
- ▶ communication by the Group Finance Department prior to the closing of guidelines, including on all IFRS accounting principles, to be applied by all legal entities and operating units;
- ▶ separation of duties between the accounting teams in the different legal entities actually performing the accounting activities and the departments responsible to review the financial information. The review is performed more specifically by (i) business controllers responsible *inter alia* for the review of financial information in their area of responsibility and (ii) the Group Finance Department, which is responsible for the final review of the financial information of the different legal entities and operating units as well as the preparation of the consolidated financial statements;
- ▶ systematic account justification and review after the closing triggering follow-up and feedback of the timelines, quality and lessons learned in order to strive for continuous improvement.

Information and communication

Internally, the Internal Communication department uses a wide variety of tools, such as the company’s intranet and employee newsletters, to circulate messages in a structured and systematic way both from top management level as from operational level.

Financial and performance information is shared between operational and financial management and the Group Executive Management. Besides the monthly reporting analysis prepared by the Business Controllers, the Group Executive Management conducts a thorough quarterly review of the different Business Units performance.

Proper assignment of responsibilities and coordination between the relevant departments ensures an efficient and timely communication process for periodic financial information. The Group Finance Department communicates on a regular basis all IFRS accounting principles, guidelines and interpretations, to be applied by all legal entities and operating units, to the accounting teams of the different legal entities and operating units.

Externally, the Press Relations and Public Affairs department manages stakeholders, e.g., press and public authorities. This department centralises and validates external communications with a potential impact at Group level. This includes, but is not restricted to, financial information.

Financial information is made available to the market on a quarterly, half-yearly and annual basis. Prior to external publication, financial information is subject to (i) an extensive internal validation process, (ii) review by the Audit Committee, and (iii) approval by bpost’s Board of Directors.

Monitoring

Corporate Audit (internal) and Board of Auditors (external)

bpost has a professional internal audit department that works in line with the Institute of Internal Auditors’ standards. The department is subject to an external quality review every five years. Corporate Audit conducts an annual risk assessment with a semi-annual revision to determine the audit program. Via its audit assignments, Corporate Audit provides reasonable assurance on internal control effectiveness in the different processes or projects reviewed.

bpost’s Board of Auditors provides an independent opinion on the full year statutory and consolidated financial statements. It performs a limited review on the half-year interim condensed financial statements and the statutory BGAAP figures of bpost SA-NV per end of October, which serves for the distribution of an interim dividend. In addition, they review material changes to the IFRS accounting principles. In light of their activities, they also evaluate the different identified key controls on the processes that support the set-up of the financial statements.

Audit Committee and Board of Directors

The Audit Committee advises the Board of Directors on accounting, audit and internal control matters. To do so, the Audit Committee receives and reviews:

- ▶ all relevant financial information to enable the Audit Committee to analyse the financial statements;
- ▶ the quarterly treasury update;
- ▶ any significant change of the IFRS accounting principles;
- ▶ relevant findings resulting from the activities of the Corporate Audit Department and/or the Board of Auditors;
- ▶ Corporate Audit semi-annual status report on the follow-up of audit recommendations and annual activity report;
- ▶ Group Executive management's annual conclusion on the effective execution of bpost's risk management and internal control activities as well as periodic information on the main business and related risk evolutions.

The Board of Directors ultimately ensures the establishment of internal control systems and procedures. The Board of Directors monitors the functioning and adequacy of the internal control systems and procedures, taking into account the Audit Committee's review, and takes the necessary measures to ensure the integrity of the financial statements. A procedure is in place to convene bpost's appropriate governing body on short notice if and when circumstances so dictate.

More detailed information on the composition and functioning of the Audit Committee and the Board of Directors is included in the section of this Corporate Governance Statement on the Board of Directors and the Audit Committee.