

## Update on bpostgroup compliance reviews

bpostgroup has finalised the three compliance reviews (traffic fines, 679 accounts and licence plates). The final reports have been submitted to the external counsel of the public services concerned. The reports have laid bare a number of malpractices and/or risks. bpostgroup fully appreciates the necessity of acting in accordance with its responsibilities and has been proactive in taking measures. Based on the legal and economic analyses, the company takes a provision of € 75 million.

At the start of this year, bpostgroup has voluntarily launched 3 compliance reviews, following the compliance review conducted in 2022 with regard to (the tender for) the concession for the delivery of newspapers and magazines in Belgium. This specifically concerns the processing of traffic fines, the management of 679 accounts, and the delivery/cancellation of licence plates.

A thorough factual and economic investigation was carried out, using external experts and forensic investigative methods. Meanwhile, bpostgroup communicated the results of the compliance reviews to the external counsel of the relevant public services, in spirit of a close cooperation and resolution.

The compliance reviews reveal malpractices, whereby a limited number of people inside and outside the company acted against the applicable laws and regulation, and without appropriate control.

Audrey Hanard, Chairperson of the Board of Directors of bpostgroup: *“We wanted to conduct these investigations in a proactive and thorough manner to enable bpostgroup to develop on stable foundations. Some findings are unacceptable. I greatly regret some of the practices we have uncovered, which must never happen again. It is especially painful that the confidence of our customers, our employees and our shareholders has been shaken by the conduct of a limited number of people.”*

### Traffic fines (Cross Border Fines – CBF)

#### Background

Since 2006, bpost is managing the administrative and financial processes for handling traffic fines on behalf of the Federal Public Service of Justice (FPS Justice), initially focusing solely on national fines, and since 2015, extending its services to international fines. These services comprise sending fines, business process outsourcing tasks (including amongst others a call center, back office operations, and returns handling) as well as the management of the IT platform and further IT developments. The provision of these services has significantly contributed to modernizing and professionalizing the management of traffic fines.

These services were initially included in the fourth Management Contract, and continued to be part of the following Management Contracts. The compensation of these services was subsequently set out in Deepening Convention and various other agreements.

#### Main findings

The compensation received by bpost may in part constitute unlawful State aid. The services of the CBF were set out in the following Management Contracts, but their compensation was set in separate agreements and were not covered by State aid decisions declaring the compensation for the Management Contracts compatible.

The investigation also reveals that various other services were included in the Deepening Conventions that are strictly speaking separate from the services for the collection of traffic fines. The majority of these services are linked to the maintenance of the ICT platform, as well as the recruitment of consultants.

bpost made a mistake when invoicing the rent for the office space for the back office services and did not communicate this mistake once when it was discovered.

### Next steps

The report has been submitted to the external counsel of the FPS Justice. bpostgroup will discuss these findings with them and take further action to mutually determine the necessary remedial measures. bpost will refund the excess received. The compensation for the period until the new tender is awarded will also be reviewed. Within these discussions, there will also be a need to delineate in detail the nature and scope of the services to be provided to avoid unrelated services being performed under the operation of the fines system.

### **679 accounts**

#### Background

Since 1912, bpost has managed the bank accounts for the government and more than 200 public agencies (such as VAT payments).

The FPS Finance entrusted this historical service to bpost on the basis of contracts without initiating a tender procedure. A tender procedure is currently ongoing and on 31 March 2023 the bpost/speos consortium was one of the three candidates selected to participate.

#### Main findings

The compensation received by bpost may be partly considered to be unlawful State aid. Some bpost employees drew up a presentation of costs that were incorrect and without involving the Legal and Financial departments of the company. The purpose of this cost presentation was to justify the level of compensation during the negotiations on the prolongation of this service with the FPS Finance.

### Next steps

The report was submitted to the external counsel of the FPS Finance. bpostgroup will discuss these findings with them and take further action to mutually determine the necessary remedial measures. bpost will refund the excess received. The existing compensation will also be revised for the period up to the award of the new contract.

### **Licence plates (European Licence Plates – ELP)**

#### Background

The ELP services encompass the production and the delivery of the number plates and the related registration certificate for new and used cars in Belgium. They also involve cancellation of licence plates and the collection of payment for relevant services.

The bpost/speos consortium won the contract for these services in two successive tenders, launched by DIV (Vehicle Registration Department of the Ministry of Mobility) in 2010 and 2019.

#### Main findings

No practices restricting the competition law were found within the framework of the two tenders under which the concession was awarded. The tender resulted in competitive pricing which is also confirmed by a pricing benchmark.

bpost failed to comply with the service level agreements (SLAs) on a number of occasions and should therefore pay the contractually foreseen fines.

### Next steps

The report was submitted to the external counsel of the FPS Mobility. bpostgroup will engage in discussions with the findings and take further action to establish the justified nature of the concession conditions (including the compensation).

## Financial considerations

Besides the finalization of the internal compliance reviews, bpostgroup, supported by independent economists and legal experts, has concluded an in-depth legal and economic assessment regarding the remuneration paid by the Belgian State for the three services. This does not cover the press concession.

The next phase, involving resolution efforts with the relevant ministries, is now set to commence. The timing of subsequent steps will depend on the pace of engagement. Awaiting full resolution on the relevant files, bpostgroup's current assessment leads to the following financial considerations:

- As part of its commitment to repay any overcompensation, bpostgroup is booking a provision of €75 million<sup>[1]</sup>. Based on its in-depth legal and economic assessment, bpostgroup believes that such number constitutes the overcompensation to be repaid to the Belgian State over the past years for the three contracts. Such number remains preliminary, as it does not yet reflect the views of the Belgian State. bpostgroup will provide an update as soon as it would become apparent that the conclusion of the resolution efforts would result in a materially higher amount.
- Concerning the annualized negative EBIT impact in 2023 of repricing the services to the three ministries, the annual accrual has been reduced to €10m based on bpostgroup's own in-depth legal and economic assessment. This replaces the accrual made further to the preliminary estimates as initially communicated on April 24, 2023. Such number remains preliminary as it does not yet reflect the views of the Belgian State. The final repricing impact will depend on the conclusion of the resolution efforts.

bpostgroup commits to continue to provide updates regarding the resolution of these cases and the related financial impact as per the applicable regulations.

## bpostgroup action plan

Since the company started the reviews, last year, bpostgroup has taken the necessary measures to rectify these abuses and to strengthen its governance.

During the course of the 4 compliance reviews, fourteen bpost employees were identified (at various levels) who actively worked on, or were aware of, the irregularities or failed to identify and avoid them. The involvement and knowledge of these persons were carefully analysed with external experts. HR decisions were made on the basis of this analysis. The working relationship with eight people was terminated. It was established that other persons involved had already left the company prior to the investigation.

bpostgroup does indeed invest heavily in improving knowledge and application of the rules in the whole company and building a culture of compliance. The code of conduct was distributed in 10 languages to all 36,000 employees of the group. Mandatory compliance trainings were set up for the various management and sales teams at the business units and subsidiaries. Each and every bpostgroup employee has an obligation to follow online training concerning all aspects of the rules. A reporting system was set up that can be accessed easily and anonymously by everyone and that is closely monitored. Trainings are also given on this "Speak Up"-tool.

bpostgroup is in the process of adding six additional employees to the Compliance Department so that the services can be involved more proactively in the decision making throughout the organization. This is how the culture of compliance is embedded in the organization.

Audrey Hanard, Chairperson of the Board of Directors of bpostgroup: *"These compliance audits were certainly not easy, but they were clearly necessary. We now need to take the time to discuss the findings with our clients in order to correct this situation as quickly as possible. We will bear the consequences of these malpractices, but it is also time to turn the page and look ahead. I firmly believe that we will overcome this difficult chapter. bpostgroup stands for*

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<sup>[1]</sup> The provision, as is customary concerning the repayment of State Aid, is already net of corporate income taxes paid on the incompatible aid principal amount. As a result, this amount is not tax deductible at the moment of its recognition and as a one-off exceeding the threshold of €20 million, as defined in bpostgroup's Alternative Performance Measures, this provision will be excluded from the Adjusted Financials.

*resilience and ambition. Together with our thousands of engaged employees, we are working to win back the trust of all our stakeholders and secure the future of our company.”*

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**Press contacts**

**Veerle Van Mierlo** T. +32 472 920229 (Media) [veerle.vanmierlo@bpost.be](mailto:veerle.vanmierlo@bpost.be)  
**Laura Cerrada Crespo** T. +32 470 906153 (Media) [laura.cerradacrespo@bpost.be](mailto:laura.cerradacrespo@bpost.be)