

# Management Report Proximus PLC under Belgian Public Law

# 2019

proximus

# Report by the Board of Directors to the annual general meeting of shareholders on 15 April 2020 on the annual accounts of Proximus PLC under public law as at 31 December 2019

Dear Shareholders,

We are pleased to report on the operations of the 2019 financial year and to submit for your approval, the annual accounts per 31 December 2019.

## The development and the results of Proximus in 2019

### Comments on the annual accounts

#### Balance sheet

Even though Proximus invested for € 330 million in IT assets and broadcasting rights, intangible assets decreased by € 327 million to € 2,389 million mainly as a consequence of the amortization of the goodwill from the 2010 merger by absorption, and normal amortizations.

Tangible fixed assets decreased by € 28 million to € 2,716 million, as the depreciation cost was higher than the new investments. Proximus continued its investments in new digital platforms, the ongoing multi-year modernization of its transport network and its Fiber for Belgium project. Furthermore, Proximus continued to invest in its mobile network to provide a high-quality mobile service while coping with a continuing increase in data usage. Depreciations were impacted by the declining depreciation method for 2018 and 2019 investments and by the accelerated depreciation of some network components.

The participating interests in affiliated enterprises decreased with € 8,007 million to € 1,238 million. This is mainly the consequence of the merger of Proximus Group Services SA (PGS SA) with Proximus SA that took place in 2019 (effective on 1st January 2019) after Proximus SA acquired the shares of PGS SA following the capital reduction of Proximus Luxembourg paid in kind (by means of PGS SA shares). Furthermore, Proximus SA increased the capital of Proximus Opal SA (100% subsidiary) with €438 million by contribution of BICS shares.

The amounts receivable after one year decreased by € 55 million to € 89 million following the partial reimbursement of an intercompany loan.

The stocks and contracts in progress were fairly stable and amounted to € 119 million. The accounts receivable within one year amounted € 573 million.

The investments decreased with € 147 million to € 399 million mainly as a consequence of the merger with PGS SA, partly compensated by the revaluation of treasury shares.

The equity decreased by € 130 million to € 1,675 million mainly due to the Net Income being lower than the distributed profit.

The provisions for liabilities increased by € 249 million mainly due to the recognition of a provision for termination benefits related to the implementation of the transformation plan decided by the Board on November 27, 2019 and the review of actuarial assumptions used for the calculation of the provision for other post-employment benefits.

Mainly as a consequence of the merger between Proximus SA and PGS SA, the creditors decreased with € 8,512 million. This is compensated by a new € 100 million private bond note starting 8 March 2019 and maturing in September 2031, with an annual fixed coupon of 1.75%.

Per 31 December 2019, the current liabilities exceed the current assets. However, Proximus benefits from different sources of financing, such as the use of readily available excess cash within the Group, the issuance of short-term notes under its commercial paper program, the use of existing credit facilities and/or the use of its existing Euro Medium Term Notes program.

## Income Statement

2019 operating income amounts decreased from € 4,460 million to € 4,319 million mainly following the decrease of the turnover with € 123 million.

The amount of operating charges increased with € 255 million up to € 4,396 million mainly as a consequence of the increase of non-recurring operating charges with € 319 million partly offset by a decrease in recurring operating charges of € 64 million.

The decrease in recurring operating charges results from a decrease of the consumption in raw materials, consumables and goods for resale with € 56 million and a decrease in services and other goods with € 48 million partially compensated by an increase in the depreciation and amortization of € 53 million.

The increase of depreciation and amortization mainly results from an increasing asset base and the application of declining depreciation on investments of the years 2018 and 2019.

The increase of non-recurring operating charges is mainly the consequence of the provision recognized following the implementation of the transformation plan (€ 288 million) partly offset by the resulting impacts (gain) on other post-employment benefits (€ 6 million) and sickness days provision (€ 6 million). The increase results also from the review of the actuarial assumptions for the provision for other post-employment benefits (€ 33 million), the review of the useful life of certain network components and the amortization of the merger goodwill of PGS SA and Proximus.

As a result, the operating profit decreased by € 396 million down to € 77 million loss.

The financial income increased with € 31 million up to € 552 million mainly as the result of the gain realized on the contribution of BICS shares into the capital of Proximus Opal SA (100% subsidiary) partly compensated by lower dividends received from subsidiaries.

The financial charges decreased with € 236 million as the interest charges significantly decreased thanks to the merger of PGS SA and Proximus SA (effective as from 1st January 2019). Also, the revaluation of treasury shares led to a net gain of € 28 million in 2019 compared to a loss of € 54 million in 2018.

The 2019 earnings before income taxes amounted to € 432 million (vs. € 560 million in 2018).

Corporate income taxes decreased by € 56 million up to € 54 million due to lower earnings before taxes and higher non-taxable income.

As a consequence, the profit of the year before appropriation amounted to € 379 million compared to € 451 million for 2018.

## Appropriation of results

We propose the following appropriation (in €):

2019			
Profit of the financial year to be appropriated	+	378.882.109	EUR
Accumulated profit	+	317.655.909	EUR
Profit to be appropriated	=	696.538.018	EUR
Transfers from capital and reserves	+	26.850.224	EUR
Transfers to capital and reserves	-	48.197.994	EUR
Profit to be distributed (dividends)	-	486.324.662	EUR
Other beneficiaries (personnel)	-	21.577.480	EUR
Profit to be carried forward	=	167.288.106	EUR

On December 6<sup>th</sup>, 2019 an interim dividend of € 161.5 million has been paid.

## Right and commitments not included in the balance sheet

Proximus has the right to issue Commercial Paper for a total of € 1,000 million, of which € 156 million was issued end 2019, and the right to issue Euro Medium Term Notes for a total of € 3,500 million, of which € 1,950 million was issued end 2019.

# Most important risks and uncertainties

Taking risks is inherent to doing business, and successfully managing risks delivers a return to Proximus stakeholders. Proximus believes risk management is fundamental to corporate governance and the development of sustainable business.

The Group has adopted a risk philosophy that is aimed at maximizing business success and shareholder value by effectively balancing risk and reward. Effective risk management is a key success factor in the realization of our objectives. The aim of risk management is not only to safeguard the Group's assets and financial strength but also to protect Proximus' reputation. A structured risk management process allows management to take risks in a controlled manner. Financial risk management objectives and policies are reported in Note 32 of the consolidated financial statements, published on the Proximus website. Risks related to important ongoing claims and judicial procedures are reported in Note 34 of these statements.

The enterprise and financial reporting risks are detailed below, together with the related mitigating factors and control measures. However, this is not an exhaustive analysis of all potential risks that Proximus might be facing.

## Enterprise-wide risks

Proximus' Enterprise Risk Management (ERM) is a structured and consistent framework for assessing, responding to and reporting on risks that could affect the achievement of Proximus' strategic development objectives. The Group's ERM covers the spectrum of business risks ('potential adverse events') and uncertainties that Proximus could encounter. It seeks to maximize value for shareholders by aligning risk management with the corporate strategy.

It does this by assessing emerging risks (e.g. from regulation and new technologies on the market) and developing mitigating strategies in line with its risk tolerance.

Proximus' ERM framework has been reviewed and updated in 2019 to align with the market best practices. This risk assessment and evaluation takes place as an integral part of Proximus' annual strategic planning cycle. All relevant risks and opportunities are prioritized in terms of impact and likelihood, considering quantitative and/or qualitative aspects. The bottom-up identification and prioritization process is supported by a self-assessment template and validation sessions. The resulting report on major risks and uncertainties is then reviewed by the Executive Committee, the CEO and the Audit and Compliance Committee. The main findings are communicated to the Board of Directors. Among the risks identified by the last ERM 2019 exercise, the following risk categories were prioritized (in the following order):

- Business model and servicing evolution
- Competitive market dynamics
- Customer experience
- Employee skills and motivation
- Human Resource cost & flexibility

## Business model and servicing evolution

Proximus' business model and financial performance have been and will continue to be impacted by (disruptive) technologies, such as SD-WAN, 5G and OTT (over-the-top) services. Proximus' response to new technologies and market developments and its ability to introduce new competitive products or services, which are meaningful to its customers, will be essential to its performance and profitability in the long run.

Proximus, and the industry as a whole, is evolving towards a more individualized approach to serving its customers. For example, for ultra-broadband, fiber-based connectivity, Proximus adopts a local marketing approach, in which the sales forces, technical staff and local partners join forces for its fiber deployment project. In the business market, Proximus is further developing and reinforcing its capabilities to support business customers in their digital transformation with its industry-tailored support and convergent products combining connectivity, hybrid cloud, and managed security solutions.

## Competitive market dynamics

Proximus' business is primarily focused on Belgium, a small country with a few large telecom players, with Proximus being the incumbent. Proximus operates in growing markets (e.g. enterprise campus networks, security, smart mobility, and API platforms), maturing markets (e.g. 4G smartphones), saturated markets (e.g. Fixed Internet, postpaid mobile and fixed voice) and even declining markets (e.g. prepaid mobile and enterprise voice).

The market is in constant evolution, with competitive dynamics at play (e.g. frequent new product launches, competitors entering new segments of the market that might impact market value going-forward). In December, the validation of the sale of 51% of Voo (the cable company operating in most of Wallonia and part of Brussels), to Private Equity firm Providence Equity Partners was announced. This transaction is expected to be finalized in the course of 2020. It will likely change the outlook and strategy of Voo going forward. Furthermore, in the coming months or years, the market structure could further evolve with the possible entry of a new mobile operator, in addition to the three existing operators and supported by favorable conditions set in the upcoming spectrum auction. Sector federation Agoria estimates that the possible arrival of a 4th mobile entrant could impact the total Mobile market in Belgium with a reduction of 6,000-8,000 jobs and a reduced sector contribution to the state of €200 M - €350 M. The timing of that remains uncertain, as the upcoming spectrum auction has been repeatedly delayed.

Substitution of fixed line services by OTT services (e.g. by apps and social media such as Skype, Facebook, WhatsApp, etc.) and TV content (e.g. Netflix, Amazon Prime Video, Disney+) could put further pressure on revenues and margins, as these over-the-top services continue to gain ground. As a result of its long-term strategy and continued network investments (Fiber, VDSL/Vectoring, 4G/4G+), Proximus has been consistently improving its multiplay value propositions by putting more customers on the latest technologies, maintaining its lead in mobile innovation, structurally improving customer service, partnering with content and OTT players to offer a broad portfolio of content (Sports, Netflix, families & Kids with the Studio 100 agreement, etc), developing an omnichannel strategy and improving digital customer interfaces (launch of the new Pickx platform), etc. Proximus has established an advantageous and solid competitive position, providing the company with other levers besides price, reducing the risk to churn and price disruption exposure. Following the launch of the Epic mobile offer in 2018, Proximus successfully launched in 2019 a new convergent offer, Epic Combo, targeted at the millennial segment and specifically designed offer to meet the telecommunication needs of these customers. Proximus is also responding through a convergent and bundled approach and by offering new services and opting for an aggregator model, putting the best content at the disposal of its customers (e.g. Netflix).

The price-sensitive segment, which has continued to rise in 2019 as more consumers seek no-frills offers at a lower price, is successfully addressed through its subsidiary Scarlet. The latter offers attractively priced mobile and triple-play products.

In the corporate large-company market, the scattered competitive landscape drives price competition, which might further impact revenue and margins. Here also, Proximus intends to respond to increasing competition by strengthening its voice-data-IT convergence strategy, leveraging unmatched sales reach, broad portfolio and expertise. Proximus has developed specific solutions to accompany our customers in the transition to both local and cloud-based communication services, leveraging our various assets to offer simple, reliable and technologically advanced solutions to meet our customers' communication needs. Furthermore, Proximus is working with its customers to answer their industry-specific requirements and business needs through solutions combining core assets with innovation like IoT, Cloud, Security and big data, which will help preserve value.

## Customer experience

For Proximus, delivering a superior customer experience is a core strategic mission. The priority given to customer centricity means more than focusing on the customer. This is about creating an effortless, intuitive and personalized experience for each customer.

Why would a prospect choose Proximus rather than another telco provider? Why would an existing customer recommend us to family and friends? Why would a customer be delighted with the way his products and services are being moved? This is all about the experience we provide him with.

This experience includes a consistent, effortless and intuitive experience across all interactions in all customer journeys, a high-quality stable network, easy-to-use products and services and a good recommendation index. To achieve this goal, key transformational initiatives such as 'End-to-End Journey Evolution', 'Voice of the Customer', and 'Customer Service Lighthouse addressing root cause of pain points' were set up to take charge of transformation projects participating in Proximus' brand promise: 'Think Possible'.

Providing a superior experience to customers is a crucial challenge but also an ongoing risk domain, considering:

- The fast evolution of market and customers' expectations
- The increased influence of GAAFA and OTT players
- The ever-present risk of a bold move from the competition

As we are aware of those risks, here are some achievements of the past year tackling them:

- The 'Close-the-loop' was set up to allow customers who express, via our surveys, that they still have an open question or issue, to be re-contacted in priority in order to find a solution.
- Dedicated multidisciplinary teams were set up to act on identified root causes of customers' and operational pain points and drive continuous improvement to realize customer experience improvements and capture financial value. Five priority topics are being looked at end-to-end (i.e. billing, payment & collection, ordering, non-commercial communication and usage experience) and will result in addressing pain points and useful customers' contacts reducing thereby the customer effort. The dedicated teams are supported in their mission by a customer experience analytics team whose mission is to quantify and qualify the root causes and to measure the impact of the adopted improvements.
- The Digiline project allowing a digital journey follow-up and visualization of main interaction for new customers.

- Proximus is no longer a service provider. We create a real bond with our customers and do everything possible to ensure that their experience with us is 'effortless and delightful'.

## Employee skills and motivation

In the digital era, knowledge workers are a competitive asset if they have the right skills and mindset. Proximus could face a shortage of skilled resources in specific domains such as security, digital front-ends, data science, and agile IT. This shortage could hamper the realization of our ambition to become a truly customer-centric organization, and delay some of our objectives in innovation. In addition, we need to upgrade skills in customer-facing and other functions to become digitally oriented.

This is why the company is paying so much attention to training programs, internal mobility, hiring of young graduates from relevant fields, and employer branding. In this context, it is also essential for Proximus to adapt its way of working to the needs and requirements of the new generation – the 'millennials' – and to manage all talents within an inclusive, multi-generational environment.

Considering the imperative to align skills with customer and business needs, Proximus has taken the necessary steps to identify the skills that will be critical for facing tomorrow's challenges and increased drastically its upskilling and reskilling efforts to accelerate the skills' shift. Proximus focuses also more on discovering, developing and sharing talents in order to have the right talent in the right place. Proximus continues to invest in leadership, a collaborative work environment, digitalization, and development in order to stimulate a company culture that nurtures a growth mindset, new ways of working, and our five company values: the digital mindset, customer centricity, accountability, collaboration and agility.

## Human resource cost flexibility

Even though Proximus has been on the path of growth since 2015, strong competition, the impact of regulation and fast market evolution mean that it needs to further reduce costs in order to remain competitive and preserve EBITDA. A significant portion of Proximus' expenses is still driven by the cost of the workforce (whether internal or outsourced, expensed or capitalized). Expressed as a ratio of turnover, Proximus' total cost of workforce still lies well above the average of international peers and main competitors, even if steady progress has been made in recent years. Moreover, Belgium applies automatic inflation-based salary increases, leading to higher costs, not only of Proximus' own employees but also of the outsourced workforce, with outsourcing companies being subject to the indexation as well.

At Proximus Group level, about one in five employees is a statutory employee. The application of HR rules as defined during successive Collective Agreements is quite strict and doesn't allow for as much flexibility as competition. This restricts Proximus' ability to improve efficiency and increase flexibility to levels comparable to those of its competitors.

In 2019, another wave of employees left the company under the voluntary early leave plan that was agreed by the unions in 2016. But in the future, major efforts will be needed to increase organizational flexibility and agility. That's why we intend to accelerate our transformation in the next three years, to become an increasingly digital company with an agile and efficient organization. First, Proximus will continue to adapt and simplify its organizational structure in order to evolve towards a high-performance organization by transforming the way we work.

In addition, different initiatives (drastic simplification and/or automation of Proximus' products, services, processes and systems) have been taken to optimize and safeguard the balance between workforce and

workload (both in numbers and competencies). The objective is to adapt workforce cost and HR rules to Proximus' future needs, so that we remain competitive and can evolve with customers' needs.

In this respect, in January 2019, Proximus announced the need to reduce the number of employees in line with the workload reduction mainly linked to digitalization. The transformation plan was approved in the Joint Committee of December 9, 2019 while the implementation had started by informing the employees individually.

The content of the transformation plan, is made of:

- A better adequation between the workforce and the workload, linked to business initiatives mainly linked to digitalization. The agreed upon workforce reduction will be managed through a specific process, starting with a voluntary leave plan with a majority of employees leaving by the 1st of March 2020. All other departures will happen before year-end 2020.
- A simplification of HR rules related to functional mobility, HR flexibility, and the balance between insourcing and outsourcing.
- New working conditions for employees hired as of 1st January 2020.
- A significant increase of reskilling and upskilling efforts, to meet the needs in terms of skills transformation.

The three parts of the plan will improve our productivity, flexibility and agility on the market.

## Operational risks

Operational risk relates to risks arising from systems, processes, people and external events that effect the operation of Proximus businesses. It includes product life cycle and execution; product safety and performance; information management, data protection and cyber security; business continuity; supply chain; and other risks, including human resources and reputation risks. Depending on the nature of the risk involved and the particular business or function affected, Proximus uses a wide variety of risk mitigation strategies, including adverse scenario stress tests, back-up/business-continuity plans, business process reviews, and insurance. Proximus' operational risk measurement and management relies on the Advanced Measurement Approach (AMA) methodology. A dedicated 'as-if' adverse scenario risk register has been developed in order to make the stress tests relevant.

Proximus is covered by extended general and professional liability, property damage and business interruption insurance, as well as by a dedicated cyber security insurance program. Nevertheless, these insurance programs may not provide indemnification should the traditional insurance exclusions (non-accidental event) apply.

The most prominent examples of operational risk factors are explained below:

- Resilience and business continuity
- Legacy network infrastructure
- Security (confidentiality, integrity, availability)
- Sourcing and supply chain reliability
- Data protection and privacy

## Resilience and business continuity

Interruptions to our ICT and telecom infrastructure which supports our business activities (including services provided by third-party vendors such as power suppliers) could seriously impact our revenues, our liabilities and our brand reputation.

Building and ensuring the resilience of our network, platforms and IT systems remains a top priority. For each critical business function, business continuity plans have been developed in order to:

- Identify and prevent risks where possible
- Prepare for risks that we can't control
- Respond and recover if an incident or crisis occurs

Every year, the business units define or review the Recovery time objective (RTO) for each critical product, service and business process. The operational teams perform a gap assessment, the divisional Business Continuity coordinators follow up the resulting action plans and report progress to the Business Continuity Manager.

Proximus closely follows the international standards best practices guidelines. The level of preparedness (relevant KPIs and score cards) is submitted annually to the Audit and Compliance Committee.

In case of a major adverse event, Proximus has put in place a crisis management process called PERT (Proximus Emergency Response Team).

## Security

Increased global cyber security vulnerabilities, threats and more sophisticated and targeted cyber-related attacks pose a risk to the security of Proximus as well as its customers, partners, suppliers and third-party service providers in terms of products, systems and networks.

The confidentiality, availability and integrity of the data of Proximus and its customers are also at risk. We are taking the necessary actions and making investments to mitigate those risks by employing a number of measures, including employee awareness and training, security-by-design, security testing, protective measures, detective measures and maintenance of contingency plans. In addition, Proximus invests in threat intelligence and security incident response.

## Legacy network infrastructure

The systems need to talk to each other over a connected information highway that can deliver information at high speed and without distortion. There is no doubt that in the coming years there will be a continued demand for ever-greater quantities of data at ever-greater speeds. There is a widely held belief that the increased use of wireless and fiber optic technology will render copper wire obsolete.

The problems with services over copper are speed, reliability and value for money. All too often, legacy systems are costly to operate and maintain. Copper has been around for decades and has far outlived any guarantee period. Outages on the lines will become more frequent.

Considering those elements, in 2004 Proximus was the first operator in Europe to start building a national Fiber-to-the-Home network. And today, Proximus is among the world's top five operators for the proportion of fiber in its VDSL network, with over 21,000 kilometres of optical fiber connecting its street cabinets.

In the last three years, Proximus has accelerated the roll-out of fiber on its fixed network.

The initiatives from utility players, such as Fluvius, to invest in a parallel fiber network, risk to have an impact on the business case of the Proximus Fiber investments.

## Sourcing & Supply chain

Proximus depends on key suppliers and vendors to provide the equipment its needs to carry out its business activities. Supply chain risk management (SCRM) is defined as ‘the implementation of strategies to manage both every day and exceptional risks along the supply chain, based on continuous risk assessment with the objective of reducing vulnerability and ensuring continuity’.

The following actions have been taken to keep the supply chain risk at an acceptable level:

- Top critical suppliers or their sub-suppliers under constant watch
- Stock management
- Consideration of alternative sourcing arrangements
- Business interruption / contingency plans
- Risk assessments and audits
- Awareness campaigns and training programs
- Strict follow-up of critical suppliers’ contractual liability and Service Level Agreement (SLA) clauses
- Data protection & privacy

## Data protection & privacy

Data protection laws exist to strike a balance between the rights of individuals to privacy and the ability of organizations to use personal data for business purposes. Keeping personal data confidential and secure remains a top priority for Proximus.

In 2019, Proximus continued the GDPR implementation project it started in 2017. As part of our commitment to protect personal data and privacy, we took a series of actions such as appointing a Data Protection Officer (DPO), developing a consent management structure, security screening, and corrective measures for our IT applications. Proximus is using the functionalities and capabilities of the Collibra data governance tool to meet certain compliance requirements under GDPR e.g. register of processing activities.

Furthermore, Proximus has made effort to continuously improve its privacy by design process. As part of rendering the data subject requests process more efficient, Proximus is looking into the further use of semi-automated solutions. In the context of keeping personal data safe, Proximus has implemented additional measures to ensure that personal data in non-production environment is adequately protected.

# Environmental risk & climate change

## Environmental risk

Group Internal Services (responsible for buildings) and Risk Management, together with the Network Engineering and Operations department, regularly assess how extreme climate events could impact Proximus' operations.

To date, Proximus did not identify any chronic physical risks. Risk of extreme weather conditions such as heavy rain and winds, floods, lightning strike and heat waves are seen as acute and temporary events and are treated as follows:

- Flooding risk mainly applies to equipment that is placed outside in cabinets or units. All cabinets are put on a pedestal in concrete and a second one in metal. The latest type of cabinets with copper access technology make use of a sealed, water resistant unit containing the active equipment.
- The oldest type of copper cables with lead mantle are more vulnerable to excessive water in the ground. There are two very important investment projects that aim to phase out these old copper cables. Mantra+ program will phase out most of the copper feeder cable in a timeframe of 15 years. An extensive fiber program will phase out 50% of all copper distribution cables over the next decades. There is no active equipment in the outside optical fiber network, the fact that this is a completely passive and water-resistant solution will limit the risk of customer impact during flooding.
- In 2013, the regulation regarding protection against lightning strikes changed in Belgium. All technical installations are compliant. The installed base of radio access network sites was adapted to be compliant with the norm NBN EN 62305 which implies a detailed risk analysis for each site.
- Heavy winds are mainly a risk for the pylons and structures that carry mobile antennas. The current norms imply the resistance of the structure to wind loads that are far greater than regular conditions in Belgium. The Proximus outside plant is less vulnerable than the OSP in countries like France, the UK, Spain, ... which heavily use aerial last mile networks, both in copper or in fiber. Proximus traditionally deployed fully underground cable networks (opposed to aerial) and the recent façade FttH solutions are also attached to solid objects (buildings), limiting exposure.
- Several precautions are taken to limit the effect of extreme heat conditions on street cabinets. These are (almost always unless imposed otherwise by communalities) a very light colour and placed outside direct sunlight. A lot of engineering is done regarding the heat exchangers. With every change of technology, or additional technology in these cabinets, heat flows are studied and optimized.

## Climate change

Climate change is high on the agenda due to growing awareness on global warming. In Belgium this is demonstrated by the Thursday marches for climate and political debate on salary cars.

The Group Corporate affairs, responsible for legal, regulatory, public affairs, internal audit & risk management, compliance, group communications and security governance & investigations, closely follows the evolution of regional, national, EU and worldwide climate related guidelines, directives, standards and laws. Proximus has a clear policy to reduce CO2 emissions and clear commitment to become circular.

## Risk Management & Compliance Committee

In 2019, the Risk Management and Compliance Committee (RMC) held five sessions. The related decisions were reported to EXCO and the Audit & Compliance Committee. RMC meetings provide an opportunity to review files in which decisions have to be taken by finding a balance between risk taking and cost, in line with the Group's risk appetite.

Proximus has general response strategies for managing risks, which categorize them according to whether the company will avoid, transfer, reduce or accept the risk. These response strategies are tailored to ensure that risks are within acceptable Proximus risk and compliance guidelines.

The RMC's objectives are:

- To oversee the company's most critical enterprise and operational risks and how management is monitoring and mitigating those risks.
- To enhance pending/open internal audit action points which remain open for more than six months.

A disciplined approach to risk is key in a fast-moving technological and competitive environment, in order to ensure that Proximus only accepts risk for which it is adequately compensated (risk/return optimization).

## Internal Audit

In line with European best practices requirements, Proximus' internal audit function forms an integral part of the Internal Risk Management and Control System and provides assurance to the Audit and Compliance Committee concerning the 'in-control status' of the Proximus Group segments/units/entities and processes. Internal Audit provides independent analyses, appraisals, recommendations, counsel, and information to both the Audit and Compliance Committee and Proximus Management. Therefore, the objectives of the Internal Audit, using COSO and other professional standards, are to ensure:

- Effectiveness and adequacy of internal controls
- Operational effectiveness (doing it right) and/or efficiency (doing it well)
- Compliance with laws, regulations and policies
- The reliability and the accuracy of the information provided

Internal Audit helps Proximus to accomplish these objectives through its systematic, disciplined approach to evaluating and improving the effectiveness of risk management and control and governance processes. Internal Audit's activities are based on a continuous evaluation of perceived business risks, and it has full and unrestricted access to all activities, documents/records, properties and staff. The Director Audit, Risk and Compliance (Chief Auditor) has a reporting line to the Chairman of the Audit Committee. Quarterly Audit activity reports are submitted and discussed with the Audit and Compliance Committee.

## Financial reporting risks

In the area of financial reporting, besides the general enterprise risks impacting the financial reporting (e.g. staff), the main risks identified include: new transactions and evolving accounting standards, changes in tax law and regulations, and the financial statement closing process.

### New transactions and evolving accounting standards

New transactions can have a significant impact on the financial statements, either directly in the income statement or in the notes. An inappropriate accounting treatment can result in financial statements which do not provide a true and fair view any more. Changes in legislation (e.g. pension age, customer protection) can also significantly impact the reported financials. New accounting standards can require the gathering of new information and the adaptation of complex (billing) systems. If not adequately foreseen, the timeliness and reliability of the financial reporting could be jeopardized.

It is the responsibility of the Corporate Accounting department to follow developments in the area of evolving standards (both local Generally Accepted Accounting Principles (GAAP) and International Financial Reporting Standards (IFRS)).

Changes are identified and the impact on Proximus' financial reporting is proactively analysed.

For each new type of transaction (e.g. new product, new employee benefit, business combination), an in-depth analysis is performed from the point of view of financial-reporting, risk-management, treasury, and tax. In addition, the development requirements for the financial systems are defined in a timely manner and compliance with internal and external standards is systematically analysed. Emphasis is on the development of preventive controls and setting up reporting tools that enable a posteriori control. The Audit and Compliance Committee (A&CC) and the Executive Committee are informed on a regular basis about new and upcoming financial reporting standards and their potential impact on Proximus' financials.

### Changes in tax law and regulations

Changes in tax laws and regulations (corporate income tax, VAT, etc.) or in their application by the tax authorities can significantly impact the financial statements. To ensure compliance, it is often necessary to set up additional administrative processes within a short timeframe, to collect relevant information or run updates on existing IT systems (e.g. billing systems).

The tax department continuously monitors potential changes in tax law and regulations, as well as interpretations of existing tax laws by the tax authorities. Based on laws, doctrine, case law and political statements as well as available draft laws, etc., a financial and operational impact analysis is performed. The outcome of the analysis is reflected in the corresponding financial statements, in accordance with the applicable framework.

### Financial statement closing process

The delivery of timely and reliable financial statements remains dependent on an adequate financial statement closing process.

Clear roles and responsibilities in the closing process of the financial statements have been defined. During the monthly, quarterly, half-yearly and annual financial statement closing processes, there is continuous

monitoring of the different steps. In addition, different controls are performed to ensure quality and compliance with internal and external requirements and guidelines.

For Proximus and its major subsidiaries, a highly detailed closing calendar is drawn up, which includes a detailed overview of cross-divisional preparatory meetings, deadlines for ending specific processes, exact dates and hours when IT sub-systems are locked, validation meetings and reporting deliverables.

For every process and sub-process, different controls are performed, including preventive controls, where information is tested before being processed, and detective controls, where the outcome of the processing is analyzed and confirmed. Special attention is paid to reasonableness tests, where financial information is analyzed against underlying operational drivers, and coherence tests, where financial information from different areas is brought together to confirm results or trends, etc. Tests on individual accounting entries are performed for material or non-recurrent transactions. The combination of all these tests provides sufficient assurance on the reliability of the financials.

## Important events that have occurred after the end of the period

There are no events that occurred after 31 December 2019 that have not been reflected in the financial statements.

## Circumstances that can significantly influence the development of Proximus

Circumstances that can significantly influence the development of Proximus are listed in caption 'Most important risks and uncertainties'.

# Evolution in research and development activities

## Enabling a better digital life

We believe in a connected digital society. We encourage digital adoption by building high-quality future-proof infrastructure and by providing and co-creating innovative solutions and services. With our cyber security solutions and through data protection, privacy and awareness initiatives, we also build trust in digital.

### Future-proof digital infrastructure

Being connected is part of everyone's and every company's daily life. At home, at work and on the go. Our objective is to ensure that people and companies have access to high-quality fixed and mobile networks, so they can seize the opportunities of the digital world. With around €1 billion investment per year, Proximus is Belgium's biggest investor in a future-proof digital infrastructure.

KPI	Result 2019	Result 2018
4G indoor coverage (1)	99.6% (2)	99.6% (2)
4G outdoor coverage (3)	100% (2)	100% (2)
Fixed Internet speed 70Mbps and above	76%	73%
Average VDSL2 speed	79.2 Mbps	75.8 Mbps
Vectoring coverage	90.1%	88.6%

(1) The indoor coverage refers to the coverage of 4G inside of buildings.

(2) Results are based on BIPT/IPBT public figures in Q4 and represent the coverage percentage based on a simulation provided by the operators calibrated on basis of BIPT-drive-tests.

(3) The outdoor coverage refers to the coverage of 4G outside of buildings.

### Fiber for Belgium

Data traffic and digital services are growing exponentially, mainly due to the increased volume used by videos, cloud apps and the Internet of Things. With Fiber for Belgium, a multi-billion EUR investment plan, Proximus prepares its infrastructure for the customers' future needs by rolling out fiber to most businesses and city centers in Belgium.

Fiber enables low-latency and stable high-speed connectivity, today reaching up to 1 Gbps upload and download speeds, and soon up to 10 Gbps. Our Fiber for Belgium roll-out is one of our key investments towards a digital economy and society. Our commercial offer provides a download speed of up to 220 Mbps to our customers, which can be boosted to 400 Mbps.

#### Fiber for cities

Fiber offers cities access to the most advanced digital services to enable their transformation into Smart Cities. Smart solutions can be developed by equipping fiber with thousands of sensors and devices thus improving mobility, public safety and air quality, and can drive growth and employment in the city. In the future, fiber will become an essential part of every city's infrastructure just like the water supply and electricity network.

In 2019 we increased our fiber roll-out rhythm, thanks to boosted industrialization efforts. The rollout of this new technology is ongoing in 13 Belgian cities: Aalst, Antwerp, Brussels, Charleroi, Ghent, Hasselt, Knokke-Heist, Kortrijk, Leuven, Liège, Namur, Roeselare and Vilvoorde. (4 new cities in 2019).

### **Fiber for businesses**

Fiber allows companies to exploit all the possibilities of the digital economy. It offers the most future-proof, reliable and scalable technology to stay competitive, agile and innovative. Its high speed facilitates the adoption of new ways of working and technologies such as artificial intelligence, data analytics, connected objects or virtual reality.

For business customers, we proactively roll out fiber in areas with high business densities — such as industrial zones and business parks — and we offer on-demand fiber connectivity to any business customer who requests it. As a result, our coverage within the business and corporate market segments saw a strong increase. At the end of 2019, fiber was available for 64% of companies located in industrial zones (compared to 48% in 2018).

### **Fiber for residential customers**

With fiber, all members of a household can surf, stream high-quality videos, play and work online at the same time, with very low latency or loss of quality. And they benefit from the sharpest images on all screens.

In 2020, we will continue to grow our fiber footprint to reach our 50% coverage ambition in the years to come and adopt an ambitious fiber-centric marketing strategy, unlocking the commercial value in the residential, professional and wholesale markets. We make operational savings through the decommissioning of our copper network and by managing our networks remotely. At the same time, we reduce our unit cost with significant measures to compensate topology evolution.

### **Mobile network: on the road to 5G**

While the use of mobile data is constantly increasing, Proximus wants to continue offering its customers the best mobile network experience.

Over the past two years, on top of extending the coverage of our 4G network (population coverage: 100% outdoor and 99.6% indoor), we have also invested in the faster 4.5G, adding more capacity to the network.

At the end of 2019, Proximus and Orange Belgium signed an agreement with the intention to set up a shared mobile access network. This will allow us to aim for a faster and broader 5G roll-out and to improve the mobile network capacity and coverage to the benefit of our customers.

In 2019, the first showcases of the precommercial 5G launch took place to show our professional and residential customers that we are 5G-ready. 5G use cases were demonstrated for enterprises during our ThinkThings event and for the gaming public at the ESL Proximus Gaming Championship.

In 2019, our affiliate Proximus Luxembourg was the first Luxembourg operator to have connected 5G live on its mobile network.

Also in 2019, the SAFIR consortium (of which Proximus is a member), successfully conducted a pilot project with drones above the city and the port of Antwerp. 5G connectivity will be of great added value for drone applications.

In 2020, Proximus will focus on the implementation of the shared mobile access network and invest in the end-to-end preparation for the 5G network roll-out. We will launch commercially as soon as the spectrum is available.

## Optimizing our fixed network

To simplify our network we launched the Mantra+ project to replace technical buildings by an innovative new concept of compact and less energy-consuming Optimus-containers. Our Titan project to increase the capacity of our backbone from 10 to 100 Gbps, was successfully completed in 2019.

New tools and technologies enable us to continue the optimization of our Wi-Fi performance. We activated a smart Wi-Fi solution in our gateways: it provides our customers with the best Wi-Fi connection by choosing the optimal Wi-Fi channel and the best Wi-Fi band (2,4Ghz or 5GHz) for all their devices.

We also launched the Wi-Fi Booster, which extends coverage at home. With the Proximus Home Optimizer app our customers can find the right spot to install the Booster. The smart Wi-Fi solution also runs on the Booster, making sure that customers wherever in the house know which access point best to connect to.

## White zones: boosting mobile coverage

White and rural zones are less economically attractive. However, we want to make the opportunities of the digital world accessible to everyone, everywhere. We are doing this by using new technologies and co-investing with public authorities.

We invested an additional EUR 18.5 million in 2017-2019 to offer high-speed fixed broadband services and high-definition digital TV and to increase outdoor 4G mobile coverage in Wallonia.

In 2019, we have installed and upgraded 43 mobile sites to boost 4G mobile coverage in Wallonia. We have also worked with Tessares on innovative solutions to connect remote areas. We are implementing microwave ROP technology, connecting VDSL2 street cabinets through wireless microwave technology, and we have installed 97 remote optical VDSL2 platforms in white zones to increase VDSL coverage significantly. Thanks to the investments we made, 35 municipalities out of the 39, reach at least 60% high bandwidth coverage (> 30 Mbit/s), including 10 municipalities with a coverage above 80%.

In 2020, we will further increase the fixed broadband coverage and explore the possibilities of increasing the mobile coverage in white zones.

## Digital trust

Today's digital world offers many opportunities, but also new threats. Trust is a prerequisite for people and companies to embrace the many opportunities of digital and to enable a digital future. As a leading digital company, Proximus is actively involved in developing a safer digital society through data protection, privacy and awareness initiatives.

KPI	Results 2019	Result 2018
International recognized certifications related to cyber security (ISO 27001 and Trusted Introducer certifications)	5*	6
Phishing exercises: employee awareness results: employees who informed CSIRT	2,480	1,113

\*Our ISO certificate 'Workplace-as-a-Service' has become redundant in 2019 due to the implementation of the Microsoft certification.

## Cyber security: safety first

In developing infrastructure and digital services, safety is our top priority. That is why we offer our customers solutions to protect themselves and keep our employees up to date with the latest security practices. Threats in digital surpass national borders. To this end, we work closely with national and international cyber authorities.

### Within our company

In 2019, Proximus has invested EUR 10 million in its Corporate Cyber Security Program. With this investment, we want to make our company more cyber-resilient and we want to offer best-in-class secured services and networks to our customers to protect company data, networks, servers and the end user.

Our corporate Cyber Security Incident Response Team (CSIRT<sup>1</sup>) continuously monitors security alerts and coordinates the response to cyber threats. In 2019, our CSIRT analysts handled 1,261 incidents (versus 2,087 in 2018) and 23,111 alarms (vs 15,348 in 2018). No single incident had a major business impact.

We are the proud holder of 5 ISO certifications covering our data centers (including both certifications for housing and hosting), Security Operations Center, the enterprise Explore Connectivity and Managed Services which was recertified in 2019.

Raising cyber security to a higher level remains a top priority for 2020. We continuously invest in our Cyber Security Corporate Program, further strengthening our capabilities and sustaining our ISO 27001 and Trusted Introducer certifications.

1

The Proximus CSIRT is the central incident response team of the Proximus Group. Its mission is to provide information and assistance to reduce the risks of cyber security incidents as well as respond effectively to such incidents when they occur.

## For our customers

In 2019 we launched our state-of-the-art “Managed Security & Threat Intelligence” service, currently used by some of Belgium’s largest organizations like the Federal Public Services Finance and Justice.

Thanks to our acquisitions Umbrio and ION-IP we successfully continued to expand our cyber security solutions in the Netherlands, supporting Dutch cities to protect their citizens’ data.

Proximus’ Security Operations Center monitors more than 3,000 million events daily, alerting enterprise customers in case of incidents and remediating them.

In 2020 we will continue to invest in continuous improvement tracks for our Managed Security Services.

## For the general public and institutions

We are a committed partner of BE-Alert, a 24/7 public warning system by the Belgian authorities. BE-Alert can broadcast news and information in the event of a crisis via SMS, fixed voice, email and social media.

We continued our engagement with NATO’s Cyber Defense teams in 2019 and also participated in working groups with international law enforcement agencies to get first-hand information on the modus operandi of cyber criminals. Additionally, we are actively exchanging information about observed threats and attacks on a national and European level via the ETIS platform.

In 2020, we will continue to expand our collaboration network through active participation in the Cyber Security Coalition, through close collaboration with the Center for Cyber security Belgium, with other European telecom operators via the ETIS platform, with global companies through the World Economic Forum’s Center for Cyber Security and with the European Cybercrime Center of Europol and through new and existing strong partnerships, such as with NATO.

## Cyber security education: raising awareness

We have an important role to play in raising society’s digital awareness. Not everyone is a ‘digital native’ and those who are, do not always see the digital dangers.

### Educating our employees

In 2019, we organized a Security Week for our employees with a vast awareness program. We also hosted dedicated training, awareness sessions, and multiple ‘real life’ phishing exercises to increase the detection skills of our employees. We fully supported the national awareness campaign on phishing during the European Cyber Security Month: a strong downwards trend of employees being phished shows that awareness initiatives have a positive impact.

We also want to offer employees the opportunity to develop careers in cyber security. In 2019, 10 employees followed an extensive one-year training on cyber security.

## Educating business and public sector customers

Professional customers and their cyber experts are always looking for in-depth advice and the latest trends. Therefore, we organized the biannual Proximus Cyber Security Convention. Our Proximus Corporate University (PCU) also provided security education programs for enterprise and public sector customers in 2019.

Five one-day information and networking events were organized by the Cyber Security Coalition, in which we are actively involved as co-founder and member. Each event addressed a dedicated topic such as secure applications, cyber threat intelligence, trust services, assessing & insuring cyber risks and security of drones. Currently 9 focus groups, gathering top experts from Coalition member organizations, are active: Awareness, Cyber Security Act, NIS, Privacy, Cloud Security, Cryptography, CSIRT-SOC, Enterprise Security Architecture and Governance and Risk & Compliance.

## Educating society

Twice a year our employees — trained by partner organization Child Focus — visit primary schools to make children aware of safe and responsible Internet usage. They reached 10,300 children in 185 schools in 2019 (vs 10,259 children in 212 schools in 2018).

To reach undergraduates, in 2019 Proximus CSIRT organized for the third consecutive year a full-day 'Capture the Flag' contest for 50 students following the new cross-university master's in cyber security (regrouping the ULB, UCLouvain, U-Namur and the Royal Military School) and 25 students from HOWEST, following the Professional Bachelor of Applied Computer Science (Computer & Cybercrime Professional).

In 2019, Proximus handled 94 requests from law enforcement authorities to block access to websites. We cooperate closely with the judicial authorities and help them in their investigation in the context of criminal offences such as the possession and distribution of images related to child pornography. In order to protect our customers from fraud, like phishing via fake Proximus websites, the Proximus CSIRT is closely monitoring any attempts to attack our customers and is usually able to take down phishing websites in a matter of hours after the attacks were launched. In 2019, we were faced with 210 phishing attacks against our customers.

We believe in lifelong learning. We collaborate with CyberWayFinder, offering women who want to change career paths the opportunity to join the cyber security world (through on-the-job experience). In 2019, we welcomed two women trainees in our cyber security teams.

In 2020, we want to extend the reach of our training programs and learning partnerships to new schools and universities. Via our Safer Internet Day, we want to reach 12,000 students in the coming year. We will also continue to optimize internal processes to allow an efficient "privacy by design" approach.

## Safe and private data: trusted gatekeeper

As a telecommunications company and supplier of digital services, we process enormous amounts of personal data. It goes without saying that these data must remain confidential and secure. To this end, we apply strict rules and policies within our company that respect GDPR legislation.

Proximus further extended the privacy settings within the MyProximus app and website to allow our customers to efficiently choose how we process their personal data.

Throughout 2019, several internal awareness initiatives via internal blogs and videos stressed the importance of privacy, e.g. during the Security Week 2019 or via the digital learning tool "Data and analytics at Proximus".

To show our commitment to protecting personal data and privacy, we took a series of actions:

- appointing a Data Protection Officer (DPO);
- developing a consent management system;
- implementing data subject rights processes, a “privacy by design” process, security screening and corrective measures for our IT application.

A dedicated internal audit assignment concerning data usage and data acquisition within the consumer business unit has been conducted in 2019.

## Digital innovation

Digital innovations will shape the future of our economy and society. Not only do we want to increase the digital possibilities of our customers; we also want to have an impact on social and ecological challenges. That is why we are opting for open innovation: we work together with academia, support start-ups and co-create solutions with innovation partners.

KPI	Results 2019	Results 2018
IoT connections	1,82 Mio	1,36 Mio
Number of projects with universities/education institutes	20	39

## Supporting young companies, start-ups and scale-ups

As a catalyst for young companies, start-ups and scale-ups, we share our know-how, experience and infrastructure, and we collaborate on concrete projects. This way we stimulate innovation and boost our digital economy.

### Co.Station

Since 2017, Proximus has been a partner of Co.Station. This innovation eco-system, with offices in Ghent, Brussels and Charleroi, has the ambition to lift the Belgian technology sector to a higher level by bringing established companies, startups, scale-ups and experts together so that they can stimulate one another.

### Imec.istart

We collaborate with Imec.istart, the world-leading Belgian R&D and innovation hub in nanoelectronics and digital technologies. We work together on programs & technologies such as Smart Cities and artificial intelligence.

### ThinkChallenges

ThinkChallenges is a portal where start-ups and academics can compete for selection to further co-create with Proximus. Business, operational and sustainability challenges for which Proximus is seeking a solution are shared with the community. In 2019, we partnered with iReachm to develop our Voice Assist-solution for enterprise customers.

## FinTech

We support the ecosystem of FinTech start-ups and companies offering innovative solutions for the financial world. FinTech represents the digitalization of next-generation financial services with cheaper, faster and highly customer-centric services. As an active member of the FinTech ecosystem, Proximus enables the digitalization of financial sector clients through cutting-edge solutions like DigitalKYC, blockchain, artificial intelligence and cloud services.

As an active member of the Luxembourg House of Financial Technology, Proximus Luxembourg enables the development of services which meet specific industry needs for the benefit of the entire Proximus Group and its customers.

## Microsoft Innovation Center

Proximus is structural partner of the Microsoft Innovation Center (MIC) Belgium. This public-private partnership with the Walloon Region and Microsoft inspires, educates and fosters digital entrepreneurship. In 2019, we jointly participated in “Hack in the Woods”, a coding festival bringing together developers around societal goals.

## Proximus API Solutions

Proximus API Solutions addresses the new, digital economy challenges of B2B business market with innovative API based solutions to help businesses in their digital transformation. Any business can enjoy this digital environment linked to a whole ecosystem of affiliates and partners to easily build today's and tomorrow's new solutions.

## Academic collaboration: shaping the digital future together

Proximus collaborates intensively with universities and university colleges. We gain access to innovative solutions and academic insights. In exchange, they can use our data, infrastructure and resources to put their ideas into practice.

To work more efficiently, we installed a central governance body in 2019, the Academics Board. This serves to align internal stakeholders and to evaluate the proposed projects and the availability of resources and budget to execute them.

We have collaboration projects at ULB/VUB, UCLouvain, KULeuven and UGent in the domains of Security, AI, mobile and fixed networking, and IoT.

With UGent, we jointly create collaboration projects in telecom and ICT and cooperate on doctoral research and theses. We are currently working together on several projects, such as studying exposure to air pollution or making a predictive analysis of criminal offences, both by using data from our mobile network.

Demand is rising for employees with strong digital skills. That is why we want to cooperate even more closely with the academic world in specific domains such as artificial intelligence or cyber security and on aligning training courses with the fast-evolving labor market.

In 2019, 149 young people did an internship at Proximus. It gives them the opportunity to acquire new digital knowledge and consider to start a career within Proximus.

## Innovative solutions addressing societal challenges

We are convinced that we have an important role to play in creating a strong digital Belgium. We want to help companies in their digital transformation, to build a robust digital economy in Belgium as well as tackle societal problems together in terms of mobility, safety, energy and climate.

To deliver on this, we invest massively in our current and future networks and infrastructure with the deployment of fiber and the continuous improvement of our mobile network in anticipation of 5G. On the other hand, we continue to invest heavily in the right skills and services that push the digital economy forward: IoT, data analytics & artificial intelligence, cyber security, cloud transformation, application integration and application development.

This is largely supported by Proximus Accelerators, our ecosystem of IT affiliates, augmented with in-house developments and industry-specific partnerships. The system provides us with a unique combination of assets to create solutions and applications that create an added value for companies, industries and the end user.

Each year, we organize the ThinkThings event for our enterprise customers and partners to give an overview of the countless possibilities of IoT and data analytics.

## IoT, driving many smart solutions

Proximus is Belgium's leading IoT connectivity provider — with more than 1.8 million connections, using different wireless technologies (LTE, LoRa, NB-IoT) and offering strong platforms. It is a critical component in many of the smart solutions we develop.

## Smart energy and climate

Within the framework of the IO.Energy open innovation initiative, initiated by the Belgian ecosystem of energy providers, Proximus is co-creating an advanced solution. Its purpose: to radically improve energy efficiency in and across large buildings. With our IoT platform we also enable the country-wide roll-out of smart meters in Belgium.

## Smart buildings and venues

Together with leading Belgian construction company Besix we develop a variety of smart building solutions in various domains: energy efficiency, hospitality, advanced workspace management and physical security services. Proximus also delivers unique experiences to visitors and owners of large venues such as exhibition spaces, sports facilities or hospitals. We do so by providing mobile applications and digital platforms for parking guidance and optimization, visitor hospitality and on-site guidance, as well as advanced visitor analytics services. As such, in 2019 we collaborated to the digital transformation of the Tour & Taxis site in Brussels.

## Smart mobility and logistics

Our affiliate Be-Mobile is one of the leading Smart Mobility companies. It helps to solve complex mobility problems through parking, tolling and multi-modal mobility solutions. A well-known example is 4411, a parking solution used by 58 cities in Belgium. In 2019, Be-Mobile launched a pilot to predict the weather on a small-scale level using floating car data — in co-operation with imec, Verhaert, Inuits, bpost and the Royal Meteorological Institute (RMI) of Belgium. It is our common ambition to improve road safety by warning drivers in time for dangerous weather conditions.

## Smart cities and safety

In Flanders we are a part of the City of Things project, where we work together with the research center Imec, academics and many cities to test new network communication enablers and solutions. We co-create innovative Smart City services with citizens and an ecosystem of commercial partners.

# Independence and expertise in the accounting and audit domain of at least one member of the Audit and Compliance Committee

Proximus has an Audit & Compliance Committee which consists of five non-executive directors, the majority of whom must be independent. In line with its charter, it is chaired by an independent director.

A majority of the members of the Audit & Compliance Committee have extensive expertise in accounting and audit. The Chairwoman of the Audit & Compliance Committee, Mrs. Catherine Vandendorre holds a degree in Business Economics as well as degrees in Tax and Financial Risk Management. Mr. Paul Van de Perre holds a Master degree in Economics and several postgraduate degrees. The Chairwoman and the majority of the members exercised several board or executive mandates in large Belgian or international companies.

## Corporate Governance Statement

### Proximus governance model

At Proximus, we know that doing business the right way is our license to operate. We never want to be put at the center of ethical dilemmas and we put the right measures in place to ensure our business is conducted ethically. This first means having a clear governance model, which for us, as a limited liability company under public law, is imposed by the Law of 21 March 1991 on the reform of certain autonomous economic public companies (“the 1991 Law”). For matters not explicitly regulated by the 1991 Law, Proximus is governed by Belgian Code of Companies and Associations of 29 March 2019 (the “Belgian Code of Companies and Associations”) and the Belgian Corporate Governance Code of 2020 (“2020 Corporate Governance Code”).

The key features of Proximus’ governance model are:

- a Board of Directors, which defines Proximus’ general policy & strategy and supervises operational management
- an Audit & Compliance Committee, a Nomination & Remuneration Committee, and a Transformation & Innovation Committee (formerly Strategic & Business Development Committee) created by the Board within its structure
- a Chief Executive Officer (CEO) who takes primary responsibility for operational management including, but not limited to, day-to-day management;
- an Executive Committee which assists the CEO in the exercise of his duties

Proximus designates the 2020 Corporate Governance Code as the applicable Code ([www.corporategovernancecommittee.be](http://www.corporategovernancecommittee.be)).

We not only follow the law but want to ensure every one of our collaborators is aware of the behaviors to follow and avoid. Therefore, Proximus adopted its new Code of Conduct in 2016, applicable to all employees. Proximus employees must follow a mandatory training on the application of the principles of the Code of Conduct. On top of this, we have various internal policies to make sure our employees conduct their business ethically.

# Deviations from the 2020 Belgian Corporate Governance Code

Proximus complies with the 2020 Corporate Governance Code except for two deviations.

Provision 7.6 stipulates that a non-executive board member should receive part of their remuneration in the form of shares in the company. Because of its specific shareholdership, having the Belgian State as majority shareholder, the company opts not to introduce share-related remuneration at this stage. For the same reason Proximus is not compliant with provision 7.9 that stipulates that the Board should set a minimum threshold of shares to be held by the executives.

## Most important characteristics of the internal control and risk-management systems

The Proximus Board of Directors is responsible for the assessment of the effectiveness of the systems for internal control and risk management.

Proximus has set up an internal control system based on the COSO model, i.e. the integrated internal control and enterprise risk management framework published by the Committee of Sponsoring Organisation of the Treadway Commission ("COSO") for the first time in 1992 and updated in May 2013. This COSO methodology is based on five areas: the control environment, risk analysis, control activities, information & communication and monitoring.

Proximus' internal control system is characterized by an organization with a clear definition of responsibilities, next to sufficient resources and expertise, and also appropriate information systems, procedures and practices. Proximus cannot guarantee that this internal control will be sufficient in all circumstances as risks of misuse of assets or misstatements can never be totally eliminated. However, Proximus organizes a continuous review and follow-up of all the components of its internal controls and risk management systems to ensure they remain adequate.

Proximus considers the timely delivery to all its internal and external stakeholders of complete, reliable and relevant financial information in conformity with International Financial Reporting Standards (IFRS) and Belgian Generally Accepted Accounting Principles (BGAAP). Therefore, Proximus has organized its internal control and risk management systems over its financial reporting in order to ensure this objective is met.

## Control environment

### Organization of internal control

In accordance with the bylaws, Proximus has an Audit & Compliance Committee (A&CC) (see caption 'Independence and expertise in the accounting and audit domain of at least one member of the Audit and Compliance Committee'). Its role is to assist and advise the Board of Directors in its oversight on (i) the financial reporting process, (ii) the efficiency of the systems for internal control and risk management of Proximus, (iii) the Proximus' internal audit function and its efficiency, (iv) the quality, integrity and legal control of the

Proximus statutory and the consolidated financial statements, including the follow up of questions and recommendations made by the auditors, (v) the relationship with the Group's auditors and the assessment and monitoring of the independence of the auditors, (vi) Proximus compliance with legal and regulatory requirements, (vii) the compliance within the organization with the Proximus' Code of Conduct and the Dealing Code.

The A&CC meets at least once every quarter.

## Ethics

The Board of Directors has approved a Corporate Governance Charter and a Code of Conduct "A Socially Responsible Company". All employees must perform their daily activities and their business objectives according to the strictest ethical standards and principles, using the Group values (Collaboration, Agility and Accountability) as guiding principle.

The Code "A Socially Responsible Company", which is available on [www.proximus.com](http://www.proximus.com), sets out the above-mentioned principles, and aims to inspire each employee in his or her daily behaviour and attitudes. The ethical behaviour is not limited to the text of the Code. The Code is a summary of the main principles and is thus not exhaustive.

In addition, Proximus in general, and the Finance department in particular, has a tradition of a high importance to compliance and a strict adherence to a timely and qualitative reporting.

## Policies and procedures

The principles and the rules in the Code "A Socially Responsible Company" are further elaborated in the different internal policies and procedures. These Group policies and procedures are available on the Proximus intranet-sites. Every policy has an owner, who regularly reviews and updates if necessary. Periodically, and at moment of an update, an appropriate communication is organized.

In the financial reporting domain, general and more detailed accounting principles, guidelines and instructions are summarized in the accounting manuals and other reference material available on the Proximus intranet-sites. In addition, the Corporate Accounting department regularly organizes internal accounting seminars to update finance and non-finance staff on accounting policies and procedures.

## Roles & responsibilities

Proximus' internal control system benefits from the fact that throughout the whole organization, roles and responsibilities are clearly defined. Every business unit, division and department has its vision, mission and responsibilities, while on individual level everybody has a clear job description and objectives.

The main role of the Finance Division is to support the divisions and affiliates by providing accurate, reliable and timely financial information for decision making, to monitor the business profitability and to manage effectively corporate financial services.

The team of the Corporate Accounting department assumes this accounting responsibility for the mother company Proximus and the major Belgian companies. They also provide the support to the other affiliates. For this centralized support, the organization is structured according to the major (financial) processes. These major processes include capital expenditures and assets, inventories, contracts in progress & revenue recognition, financial accounting, operational expenditures, provisions & litigations, payroll, post-employment

benefits and taxes. This centralized support, organized around specific processes and IFRS standards, allows for in depth accounting expertise and ensures compliance with group guidelines.

The consolidation of all different legal entities into the Consolidated Financial Statements of the Proximus Group is done centrally. The Consolidation department defines and distributes information relating to the implementation of accounting standards, procedures, principles and rules. It also monitors changes in regulations to ensure that the financial statements continue to be prepared in accordance with IFRS, as adopted by the European Union. The monthly instructions for consolidation set forth not only the schedules for preparing accounting information for reporting purposes, but also includes detailed deadlines and items requiring particular attention, such as complex issues or new internal guidelines.

## Skills & expertise

Adequate staffing is a matter to which Proximus pays careful attention. This requires not only sufficient headcount, but also the adequate skills and expertise. These requirements are taken into account in the hiring process, and subsequently in the coaching and formation activities, facilitated and organized by the Proximus Corporate University.

For financial reporting purposes, a specific training cycle was put in place, whereby junior as well as senior staff have to participate mandatory. These internally and externally organized accounting seminars cover not only IFRS but local accounting rules & regulations, Tax and Company law & regulations as well. In addition, the knowledge and expertise is also kept up to date and extended for more specific domains for which staff is responsible (revenue assurance, pension administration, financial products, etc.) through attendance to seminars and self-study. Furthermore, employees also attend general training session on Proximus new business products & services.

## Risk analysis

Major risks and uncertainties are reported in the caption 'Most important risks and uncertainties'.

## Risk mitigating factors and control measures

Mitigating factors and control measures are reported in the caption 'Most important risks and uncertainties'.

## Information and communication

### Financial reporting IT systems

The accounting records of Proximus and most of its affiliates are kept on large integrated IT systems. Operational processes are often integrated in the same system (e.g. supply chain management, payroll). For the billing systems, which are not integrated, adequate interfaces and a monitoring system have been developed. For the consolidation purposes, a specific consolidation tool is used.

The organizational set-up and access management are designed to support an adequate segregation of duties, prevent unauthorized access to the sensitive information and prevent unauthorized changes. The set-up of the system is regularly subject to the review by the internal audit department or external auditors.

## Effective Internal communication

Most of the accounting records are kept under IFRS as well as local GAAP. In general, financial information delivered to management and used for budgeting, forecasting and controlling activities is established under IFRS. A common financial language used throughout the organization positively contributes to an effective and efficient communication.

## Reporting and validation of the financial results

The financial results are internally reported and validated on different levels. On the level of processes, there are validation meetings with the business process owners. On the level of the major affiliates, a validation meeting is organized with the accounting and controlling responsible. On Proximus group level, the consolidated results are split per segment. For every segment, the analysis and validation usually include comparison with historical figures, as well as budget-actual and forecast-actual analysis. Validation requires (absences of) variances to be analyzed and satisfactorily explained.

Afterwards, the financial information is reported and explained to the Executive Committee (monthly) and presented to the A&CC (quarterly).

## Supervision and assessment of internal control

The effectiveness and efficiency of the internal control are regularly assessed in different ways and by different parties:

- Each owner is responsible for reviewing and improving its business activities on a regular basis: this includes a.o. the process documentation, reporting on indicators and monitoring of those.
- In order to have an objective review and evaluation of the activities of each organization department, Proximus' Internal Audit department conducts regular audits across the Group's operations. The independence of Internal Audit is ensured via its direct reporting line to the Chairman of the A&CC. Audit assignments performed may have a specific financial processes scope but will also assess the effectiveness and efficiency of the operations and the compliance towards the applicable laws or rules.
- The A&CC reviews the quarterly interim reporting and the specific accounting methods. The main disputes and risks facing the Group are considered; the recommendations of internal audit are followed-up; the compliance within the Group with the Code of Conduct and Dealing Code is regularly discussed.
- Except for some very small foreign affiliates, all legal entities of the Proximus Group are subject to an external audit. In general, this audit includes an assessment of the internal control, and leads to an opinion on the statutory financials and on the (half-yearly and annual) financials reported to Proximus for consolidation. In case the external audit reveals a weakness or identifies opportunities to further improve the internal control, recommendations are made to management. These recommendations, the related action plan and implementation status are at least annually reported to the A&CC.

# Composition and functioning of the governing bodies and their committees

## Board of Directors

The Board of Directors is composed of no more than fourteen members, including the person appointed as Chief Executive Officer. The CEO is the only executive member at the Board. All other members are non-executive Directors.

Directors are appointed for a renewable term of up to four years. According to the limits for independent directors, defined in article 7:87 of the Belgian Code of Companies and Associations, the maximum term for independent directors is limited to twelve years.

The Directors are appointed at the general meeting by the shareholders. The Board of Directors exclusively recommends candidates who have been proposed by the Nomination and Remuneration Committee. The Nomination and Remuneration Committee will take the principle of reasonable representation of significant stable shareholders into account and any shareholder who holds at least 25% of the shares has the right to nominate directors for appointment pro rata to his shareholding. Based on this rule the Belgian State has the right to nominate 7 directors. All other directors must be independent within the meaning of article 7:87 of the Belgian Code of Companies and Associations and of the 2020 Corporate Governance Code and at any time the Board needs to have at least 3 independent directors.

Proximus is proud of a substantial female representation on its Board of Directors. This composition and the complementary expertise and skills of all Directors create a dynamic which benefits the good management of the company.

Composition of the Board of Directors:

Members of the Board of Directors appointed by the Belgian State:

Name	Age	Position	Term
Stefaan De Clerck <sup>(1)</sup>	68	Chairman	2013 – 2019
Guillaume Boutin <sup>(4)</sup>	45	Chief Executive Officer	2019 - 2020
Dominique Leroy <sup>(2)</sup>	55	Chief Executive Officer	2014 – 2019
Karel De Gucht	66	Director	2015 – 2021
Martine Durez <sup>(1)</sup>	69	Director	1994 – 2019
Laurent Levaux <sup>(1) (3)</sup>	64	Director	2013 - 2019
Isabelle Santens <sup>(1)</sup>	60	Director	2013 - 2019
Paul Van de Perre <sup>(1)</sup>	67	Director	1994 - 2019

(1) By decision of 29 July 2019 the Board of Directors co-opted these members until the AGM to be held on 15 April 2020

(2) Until 20 September 2019

(3) Until 16 October 2019.

(4) By decision of 12 December 2019 the Board of Directors co-opted this member until the AGM to be held on 15 April 2020

Members of the Board of Directors appointed by the General Shareholders' Meeting:

Name	Age	Position	Term
Pierre Demuelenaere	61	Independent director	2011 - 2021
Guido J.M. Demuyne <sup>(1)</sup>	69	Independent director	2007 - 2019
Martin De Prycker <sup>(2)</sup>	65	Independent director	2015 - 2023
Tanuja Randery <sup>(3)</sup>	53	Independent director	2016 - 2019
Catherine Rutten <sup>(4)</sup>	51	Independent director	2019 - 2023
Joachim Sonne <sup>(5)</sup>	45	Independent director	2019 - 2020
Agnès Touraine	65	Independent director	2014 - 2022
Catherine Vandendorpe	49	Independent director	2014 - 2022
Luc Van den hove	60	Independent director	2016 - 2020

(1) End of mandate on 17 April 2019

(2) Reappointed on 17 April 2019

(3) Until 31 May 2019

(4) Appointed on 17 April 2019

(5) By decision of 29 July 2019 the Board of Directors co-opted this member until the AGM to be held on 15 April 2020

## Functioning of the Board of Directors

The Board of Directors meets whenever the interests of the company so require or at the request of at least two directors. In principle, the Board of Directors holds five regularly scheduled meetings annually. The Board of Directors also yearly discusses and evaluates the strategic long-term plan in an extra meeting. In general, the Board's decisions are made by simple majority of the directors present or represented, although for certain issues a qualified majority is required. The Board of Directors has adopted a Board Charter which, together with the Charters of the Board Committees, reflects the principles by which the Board of Directors and its Committees operate. The Board Charter stipulates, among other things, that important decisions should have broad support, understood as a qualitative concept indicating effective decision-making within the Board of Directors following a constructive dialogue between directors. Files on important decisions are prepared by standing or ad hoc Board Committees with significant representation of non-executive, independent directors within the meaning of Article 7:87 of the Belgian Code of Companies and Associations.

In February 2014, the Board decided to give a broader interpretation to the notion "conflict of interest". Besides the legal clauses applicable to Proximus, the extra-legal obligations included in the Charter of the Board of directors stipulate that directors commit to avoid any appearance of conflict of interest by, amongst other, but not limitative:

- Not exercising any position, mission or activity in a private or public-sector body that, as important part of its business, offers for profit telecommunications services or goods in Belgium or in any country in which Proximus realizes at least 5 % of its turnover
- Not exercising any position, mission or activity on behalf of a direct or indirect competitor of Proximus or of one of its affiliates
- Not to assist, remunerated or not, any party in its contract negotiations with or procedures against Proximus or one of its affiliates

## Committees of the Board of Directors

Proximus has an Audit & Compliance Committee, a Nomination & Remuneration Committee and a Transformation & Innovation Committee (formerly Strategic & Business Development Committee).

The members of the Audit & Compliance Committee are: Mrs. Catherine Vandendorre (Chairwoman as of 17 April 2019), Messrs. Guido J.M. Demuyck (Chairman, until 17 April 2019), Stefaan De Clerck, Pierre Demuelenaere, Joachim Sonne (as of 19 September 2019), Paul Van de Perre and Mrs. Catherine Rutten (as of 2 May 2019).

The members of the Nomination & Remuneration Committee are: Messrs. Stefaan De Clerck (Chairman), Pierre Demuelenaere, Guido J.M. Demuyck (until 17 April 2019), Martin De Prycker, Luc Van den hove (as of 19 September 2019) and Mrs. Martine Durez.

The members of the Transformation & Innovation Committee are: Messrs. Stefaan De Clerck (Chairman), Karel De Gucht, Martin De Prycker, Luc Van den hove, Mrs. Tanuja Randery (until 31 May 2019) and Mrs. Agnès Touraine.

## Related Party Transactions

On 24 February 2011, the Board adopted a “related party transactions policy” which was updated in September 2016, which governs all transactions or other contractual relationships between the company and its board members.

Proximus has contractual relationships and provides also telephony, Internet, digital and/or ICT services to many of the companies in which Board members have an executive or non-executive mandate. These transactions take place in the ordinary course of business and at arm’s length.

## Evaluation of the Board

As a result of the latest evaluation, the Board reflected on the role of the ‘Strategic & Business Development Committee’ and decided to change this as of 2018 into a ‘Transformation & Innovation Committee’, which is a permanent committee of the Board, discussing those selected files of diverse nature that need preparatory reflection and need to mature before being brought to the Board for decision. This Committee will be convened at the request of the Chairman or the Board whenever required by the interest of the company.

The Board of Directors will decide after the General Shareholders Meeting of 2020 on the organization of a new external evaluation.

## Executive Committee

Chief Executive Officer

The mandate of Mrs. Dominique Leroy ended on 20 September 2019.

In its meeting of November 27, 2019, the Board appointed Mr. Guillaume Boutin as new CEO. The CEO is entrusted with day-to-day management and reports to the Board of Directors. The Board has moreover delegated broad powers to the CEO. The contract of Mr. Guillaume Boutin is a renewable six-year fixed term contract that started on 1 December 2019.

The Board of Directors also co-opted on 12 December 2019 Mr. Guillaume Boutin as member of the Board until the next AGM.

The members of the Proximus Executive Committee, other than Mr. Guillaume Boutin, the CEO, are Mrs. Sandrine Dufour, Messrs. Dirk Lybaert, Geert Standaert, Renaud Tilmans, Jan Van Acoleyen and Bart Van Den Meersche.

Proximus has appointed members of the Executive Committee and of its staff to exercise mandates in companies, groups and organisms in which it has participations and is involved. Such mandates are not remunerated. A list of the persons concerned is given in section 'Mandates exercised in companies in which Proximus participates' of this report.

# Diversity & Inclusion statement

In accordance with article 3 of the Law of 3 September 2017 on the disclosure of non-financial and diversity information by certain large companies and groups, Proximus' diversity policy, its purpose and results are described below.

## Strategic orientation about diversity & inclusion

Proximus believes that a diverse workforce, through employees' unique capabilities, experiences and all other characteristics unrelated to someone's abilities, will help to reach a more diverse marketplace and will create sustainable business. It is also important to reflect the diversity of our customers and markets in our workforce.

Therefore, Proximus has a Charter on diversity and equal rights, which applies to all employees of the Proximus Group.

With this policy Proximus wants to enable conditions, where these differences are recognized and respected, and where all employees are given equal opportunities. For Proximus, diversity and equality mean:

- Treating all applicants and employees equally, based only on relevant competencies and objective criteria
- Creating an open and welcoming work environment that encourages contributions from people of all backgrounds and experiences
- Promoting a mind-set of respect and openness throughout all levels of the organization and treating all employees fairly and equally
- Demonstrating behaviour free from any form of racism, intolerance, discrimination, harassment or other attitude that could negatively affect the dignity of men and women at the workplace
- Incorporating diversity in all aspects of the way we do business without any form of intolerance.

Within Proximus specific teams are in charge of monitoring the compliance with the Charter and of taking the correct measures in case of non-compliance.

## Diversity & inclusion in our leadership and employees communities

Proximus is particularly conscious about the importance of diversity at all levels of the organization and concentrates on recruiting employees with an inclusion and growth mindset. Once they are part of the company, we ensure that they are the best ambassadors of our company values by including a part on our inclusion program and philosophy in our welcome days as well as in all related trainings for team leaders, experts, trainees, ...

While taking care of putting in place well-balanced and talented mixed teams, Proximus reinforces its capacity for innovation and fosters its learning culture, the satisfaction of its employees and their creativity towards the future challenges of a digital world.

With regards to gender diversity, this approach is also reflected in the female representation at the different levels of our company:

- 38% of the Board of Directors
- 14% of the Executive Committee
- 23,8% of the members of the Leadership Team
- 33% of all employees' population.

Proximus Group also has a very diverse workforce in terms of culture with 48 nationalities.

Proximus supports internal and external diversity network activities and initiatives such as the AfroPean network (APN). We have a Diamond Sponsorship in the organization "Women on Board" and started a partnership with KliQ, an organisation with expertise in the fields of sexual diversity and gender diversity. We will keep on focusing on creating supportive networking groups so that everyone can reinforce their feeling of belonging to our community.

## Creation of a culture that allows to reconcile activities during the different life phases

Proximus wants to create conditions to allow its personnel to reconcile the different aspects of their professional and private life during their different life phases by offering opportunities for internal job change and development opportunities, homeworking, part-time schedules, home child care, ... These measures allow our employees to work in a safe, inspiring and inclusive workplace with equal opportunities for everyone, allowing them to combine their personal and professional lives in order to be optimally present and feel supported, motivated and engaged at work.

Proximus is founding partner of "Experience@Work". Thanks to this company, experienced talents from organizations can be deployed in other organizations which are looking for specific experience and/or talent.

## Diversity as part of Proximus code of conduct

Proximus' mission consists in opening up a world of digital opportunities, so people live better and work smarter. This also means that we have to earn and keep the trust of our customers, our employees, our suppliers, our shareholders, our partners and the company as a whole.

Successful business must go hand in hand with honest and ethical behaviour. Each employee has a crucial role to play in this matter. This is the reason why the Code of Conduct is in place, representing our corporate culture and values. This Code of Conduct reflects the fundamental principles and rules which are the foundations of our engagement to be a socially responsible company. The Code of Conduct applies to everyone: Board Directors, managers and all employees. Although the Code of Conduct cannot directly be imposed to our business partners, we seek to always work with partners respecting the same ethical standards.

Proximus expects its employees to respect the Code of Conduct and use it as a reference in their day-to-day way of working.

## Human rights

People are entitled to be treated with respect, care and dignity. Proximus business practices can only be sustainable if we respect basic human rights and value diversity, cultural and other differences. Our Code of Conduct, values and behaviour are inspired by fundamental principles such as those of the Universal Declaration of Human Rights, the European Convention on Human Rights and the United Nations Convention on the Rights of the Child.

## Working conditions

Proximus is committed to creating working conditions which promote fair employment practices and where ethical conduct is recognized and valued. We maintain a professional workplace with an inclusive working environment, and we are committed to respecting Belgian legislation and the International Labour Organization's (ILO) fundamental conventions.

Proximus recognizes and respects the right to freedom of association and the right to collective bargaining within national laws and regulations. We will not contract child labour or any form of forced or compulsory labour as defined by ILO fundamental conventions. Moreover, we are opposed to discriminatory practices and do our utmost to promote equality, diversity and inclusion in all employment practices.

Our working environment standards are applied to every member of our diverse community and are exemplified by all managers, team leaders and employees who are expected to act as role models in this matter.

# Remuneration report

The remuneration policies of the Directors and of the Executive Committee are inspired by current legislation, by the corporate governance code and by the market practices and trends. Our company is taking particular care to provide relevant and transparent information on the principles and the level of remuneration of the members of the Board of Directors and of the Executive Committee, as well as an overview of the key elements of the remuneration policy of the Proximus Group.

## Remuneration of the members of the Board of Directors

### Directors' remuneration policy

The principle of continuity with the past has been maintained. The policy adopted by the General Assembly of 2004 has remained applicable in 2019 and no substantial change of the policy is expected for the coming two years.

The CEO, Mr. Guillaume Boutin, who is the only executive Director, is not remunerated for the exercise of his mandate as member of the Board of Directors and of the Committees, nor for any other mandate within the Group subsidiaries Boards of Directors.

The remuneration policy of the non-executive Directors foresees an annual fixed compensation of EUR 50,000 for the Chairman of the Board of Directors and of EUR 25,000 for the other members of the Board of Directors. All members of the Board of Directors have the right to an attendance fee of EUR 5,000 per attended meeting of the Board of Directors. This fee is doubled for the Chairman. Attendance fees of EUR 2,500 are foreseen for each member of an advisory committee of the Board of Directors. For the Chairman of the respective advisory committee, these attendance fees are doubled. These amounts, defined in 2004, have remained unchanged since then and are not subject to indexation.

The members also receive EUR 2,000 per year for communication costs. For the Chairman of the Board of Directors, the communication costs are also doubled.

These remunerations are granted on an annual basis pro rata temporis of the duration of the mandate during the year in question and are paid semi-annually.

For the execution of their Board mandates, the non-executive Directors do not receive any variable performance-based remuneration such as bonuses or stock options, nor do they receive benefits linked to complementary pension plans or any other group insurance.

As mentioned in the Corporate Governance statement part of the Annual Report, our company complies with the 2020 Belgian Code on Corporate Governance with the exception of two deviations. One of these deviations is related to the provision 7.6 which stipulates that a non-executive board member should receive part of their remuneration in the form of shares in the company. Because of its specific shareholdership, having the Belgian State as majority shareholder, the company opts not to introduce share-related remuneration at this stage.

The Chairman of the Board of Directors is also Chairman of the Joint Committee and of the Pension Fund. Mrs Catherine Vandendorre is member of the Board of the Pension Fund. They do not receive any fees for these board mandates.

## Overview of Directors' Remuneration

The total amount of the remunerations granted in 2019 to all the members of the Board of Directors, Chairman included, is amounting to gross EUR 1,243,509.

The individual Directors' gross amounts paid out to the Directors in 2019, based on their activities and attendance to Board and Committee meetings, is presented in the following table.

These amounts have been granted based on ten Board meetings, four being extraordinary and remunerated Board meetings, and sixteen Committee meetings, five being extraordinary and remunerated Nomination & Remuneration Committees.

### Activities report and attendance to Board and Committee meetings

Name	Board (total 10*)	ACC (total 5)	NRC (total 9**)	TIC (total 2)	Total yearly gross remuneration***
Stefaan De Clerck	10/10	5/5	9/9	2/2	224,305 €
Guillaume Boutin****	1/1				0 €
Dominique Leroy****	5/5			1/1	0 €
Karel De Gucht	10/10			2/2	82,000 €
Pierre Demuelenaere	9/10	5/5	8/9		104,500 €
Guido J.M. Demuyck	2/2	1/1	0/1		23,025 €
Martin De Prycker	10/10		9/9	2/2	104,500 €
Martine Durez	10/10		9/9		99,500 €
Laurent Levaux	4/7				41,411 €
Tanuja Randery	3/3				26,250 €
Catherine Rutten	8/8	4/4			69,050 €
Isabelle Santens	10/10				77,000 €
Joachim Sonne	4/5	2/2			36,468 €
Agnès Touraine	10/10			2/2	82,000 €
Catherine Vandenborre	10/10	5/5			99,500 €
Luc Van den hove	9/10		3/5	2/2	84,500 €
Paul Van de Perre	10/10	5/5			89,500 €

ACC: Audit & Compliance Committee; NRC: Nomination & Remuneration Committee; TIC: Transformation & Innovation Committee

\* Extraordinary remunerated Board meetings on January 8, July 11, September 14 and November 27, 2019

\*\* Extraordinary remunerated NRC meetings on July 23, October 16, November 12, November 19 and November 20, 2019

\*\*\* Total remuneration

- gross amounts on a yearly basis

- for all members of the Board, this amount includes the telecom advantage

- for the Chairman of the Board, this amount also includes the benefit in kind related to the use of a company car:

\*\*\*\* Chief Executive Officer: the mandate of Mrs. Dominique Leroy ended on 20 September 2019. In its meeting of 27 November 2019, the Board appointed Mr. Guillaume Boutin as new CEO. The Board also co-opted on 12 December 2019 Mr. Guillaume Boutin as member of the Board until the next General Meeting of Shareholders.

## Global reward policy and principles

Our Group has an innovative remuneration policy which is regularly assessed and updated through close cooperation with external human resources fora and universities. The remuneration policies of our employees are defined in a process of dialogue with the Board of Directors and with the social partners.

Because of our history as a public-service company, there are some differences in our dynamics and structure, compared to the private sector. This has a considerable influence on how our remuneration policy has evolved. Our Human Resources department has developed creative and adaptable programs to deal with its obligations related to the statutory employment status of some of its workforce and introduced new elements that harmonized policies between civil servants and contractual employees.

To accomplish our company goals within a highly and fast changing competitive global telecom market, we need qualified, talented and engaged employees working in close cooperation in a high performance culture. To foster this culture, it is critical to have a market attractive Global Rewards Program for both the Executive Committee members and all other members of the Top Management, as well as for the entire workforce.

The main objectives of our Global Rewards Program are:

- To drive performance that generates long-term profitable growth and create long-term value for our Group;
- To stimulate empowerment that reinforces the business strategy and desired culture;
- To offer a fair and equitable remuneration to our staff (both to civil servants and to the contractual employees), and competitive on the market;
- To recognize and reward high performance and the promotion of the company values and culture;
- To link pay to both individual performance and the overall success of our company;
- To enable our company to attract and retain market's talents at all levels;
- To combine the needs and responsibilities of employees and their families with those of the company and society as a whole

Our company also maintains -and modernizes - powerful public sector instruments, such as work- life benefits (e.g. sick child care, hospitalisation,...) and social assistance. It is the responsibility of our Work-Life department to combine the needs and responsibilities of employees and their families with those of the company and society as a whole. Over the years, we have won several awards for the continuous efforts of our company to create a balanced working environment for its staff.

The Global Rewards Program keeps up and supports this goal and mission.

# Executive Remuneration

## Procedure for drafting of the remuneration policy and defining of the remuneration level of the members of the Executive Committee

Both the executive remuneration policy and the individual remuneration packages for the CEO and the other members of the Executive Committee are set by the Board of Directors upon recommendations from the Nomination & Remuneration Committee. The individual remuneration packages are defined according to the individual responsibilities and skills.

It consists of a balanced executive remuneration policy rewarding executives competitively and at rates which are attractive in the market, aligning the interests of management and shareholders and complying with the governance rules applicable in Belgium. As mentioned in the Corporate Governance statement part of the Annual Report, our company complies with the 2020 Belgian Corporate Governance Code with the exception of two deviations. One of these deviations is related to the provision 7.9 that stipulates that the Board should set a minimum threshold of shares to be held by the executives. Because of its specific shareholdership, having the Belgian State as majority shareholder, the company opts not to be compliant with this provision.

Our company wants to attract and retain high performing top executives for its Executive Committee and wants to recognize clear role models, who deliver a high level of performance and promote the company values.

Like the rest of the top management of our company, the members of the Executive Committee benefit from dedicated reward programs which focus on the principles of our strategy to consistently reward high performance of individuals and of the company. A significant part of their total remuneration is variable, based on stringent quantitative and qualitative performance criteria, and is driven by our company's objectives in terms of performance and growth. This way, our company wants to encourage its executives to deliver a long-term, sustainable profitable growth, in line with our Group's strategy and the expectations of our shareholders.

The market positioning of these remuneration packages is reviewed on a regular basis by benchmarking the remuneration of the members of our Executive Committee against both the BEL 20 companies (financial sector excluded) and a set of peer companies in the European Telecommunications and ICT sector. This analysis aims to ensure that the global remuneration of each member of the Executive Committee remains adequate, fair and in line with market practices and consistent with the evolution of both his/her responsibilities and the market situation of the Proximus Group in terms of size, scope of activities and financial results.

A claw back stipulation is part of the contract as CEO signed with Mr. Boutin, enabling our company to recover the paid variable remuneration or to withhold the payment of this variable remuneration in case of established fraud, insofar as enforceable by law. As for the other members of the Executive Committee, current remuneration policy does not provide for a specific contractual claw back stipulation in favour of our company for the variable remuneration that might have been allocated to them on the basis of incorrect financial information. But in the future, all new employment contracts of members of the Executive Committee others than the CEO will include a claw back stipulation similar to the one mentioned in the management services agreement of the CEO, as to comply with the Belgian companies and Associations Code.

To distinguish ourselves from other employers, our company seeks to excel in the total package offered, by providing not only a cash remuneration but also numerous other benefits.

A fundamental principle of our company's remuneration policy is the degree of freedom for the top management, the CEO and the other members of the Executive Committee included, with regard to the choice of pay out mean of their variable remuneration.

All the amounts mentioned in this report are gross amounts before employer's social contribution.

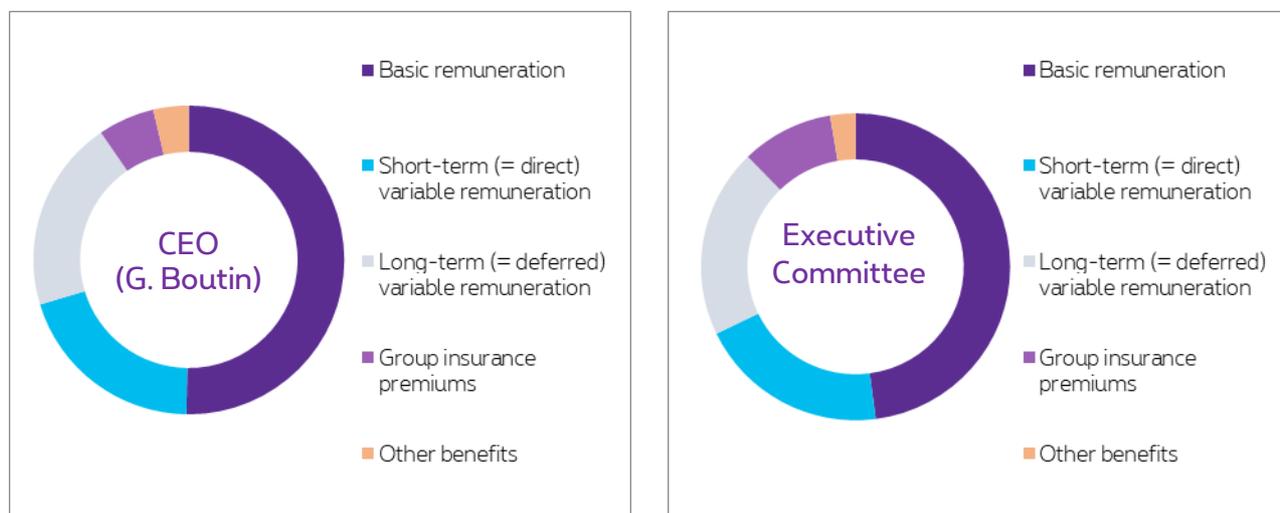
## Executive Committee's remuneration structure

The remuneration of the members of the Executive Committee is built upon the following components:

- Basic remuneration
- Short-term variable remuneration
- Long-term variable remuneration
- Group insurance premiums and other benefits

The relationship between the distinct remuneration components of the CEO and of the other members of the Executive Committee is illustrated in the graphs below. These graphs show the relative importance of the various components of on-target remuneration.

Relative importance of various components of the on-target remuneration before employer's social contribution (end 2019)



As per their respective contract, current CEO, Mr. Boutin, and the other members of the Executive Committee are entitled to both a short-term variable remuneration and a long-term variable remuneration with equal target percentages of the basic remuneration.

As per her contract, the former CEO, Mrs. Leroy, was not entitled to a long-term variable remuneration, she was only entitled to a short-term variable remuneration which payment was spread over 3 years. The amounts of CEO variable remuneration reported later in present document are the amounts allocated to Mrs. Leroy in 2018 and 2019.

The variable remuneration of Mr. Boutin as new CEO has been aligned on the policy related to short-term and long-term variable remuneration in force for the other members of the Executive Committee.

As mentioned later in this report, the long-term variable remuneration for the Executive Committee members, CEO included, is allocated through a long-term incentives plan consisting of a long-term Performance Value Plan which awards can only be paid after a blocking period of three years based on performance criteria measured on a yearly base over this period of three years.

The design of this Performance Value Plan has been reviewed. Since the 2019 grant, in order to better reflect the Group's achievements, additional company driven performance criteria have been added to the Total

Shareholder Return, which was the only performance criterion of previous plan. These additional performance criteria consist of the Group free cash flow and the reputation index (see under “long-term variable remuneration”).

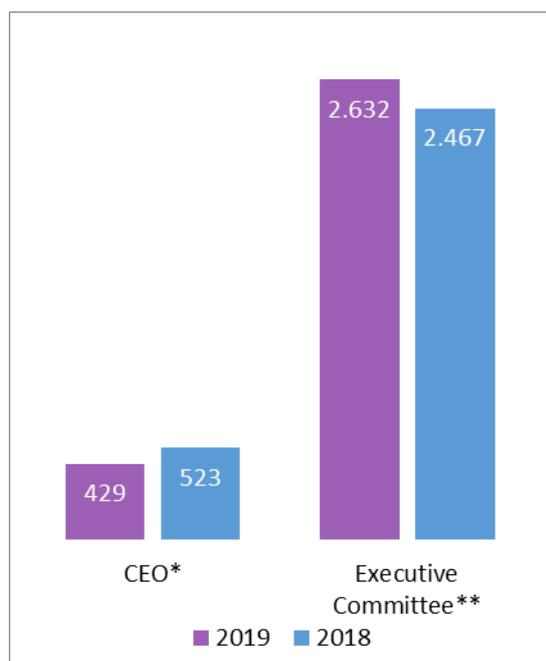
No other substantial change of the remuneration policy is expected for the coming two years.

## Basic remuneration

The basic remuneration consists of a basic salary earned by the CEO and by the other members of the Executive Committee for the reported year in such respective roles. This remuneration is defined by the nature and the specificities of the function, is allocated regardless of the results and is contractually subject to the index applicable to Proximus.

The basic remuneration of the Executive Committee members is regularly reviewed by the Nomination & Remuneration Committee, based on an extensive review of performance and assessment of potential provided by the CEO, as well as on external benchmarking data on market practices. Thereby, the evolution of the basic remuneration depends on the competency level of the Executive Committee member, of his or her continued performance level, of the evolution of his or her responsibilities, as well as of the evolution of the market. Possible adjustments are always submitted to the Board of Directors for approval.

### Basic remuneration in kEUR before employer social contribution



\* CEO: it should be noted that the for 2019 reported amount includes the basic remuneration of Mrs. Leroy (385 kEUR) and the basic remuneration of Mr. Boutin for 1 month (44 kEUR).

\*\* Members of the Executive Committee others than the CEO: year-to-year variations in the amounts are mainly resulting from the early pay-out of the vacation pay to Mr. Boutin as per the termination of his employment contract as contractual member of the Executive Committee end 2019. Besides, salary progresses also took place in 2019, as per Board of Directors' approval.

The roles acted ad interim as CEO or as other member of the Executive Committee are not taken into consideration for current report.

## Short-term variable remuneration

### Short-term variable remuneration components

Our short-term variable remuneration system has been designed to support the strategy and the values of our Group and to enhance a performance-based management culture.

Our company indeed considers close collaboration of all employees to be imperative, all efforts need to be focused and aligned towards Group success.

Group results are therefore highly impacting (for 60%) the short-term variable remuneration of the members of the Executive Committee, on top of individual performance (for 40%), and this in line with our company values.

### Group performance - Key Performance Indicators (KPIs)

Short-term annual variable remuneration is thus partly calculated – for 60% – in relation to performance against Key Performance Indicators (KPI's) set by the Board of Directors upon recommendation of the Nomination & Remuneration Committee. These performance indicators include financial indicators as well as non-financial indicators at Group level.

The performance indicators at Group level are as follows:

- the business cash flow
- the number of new customers in voice, fix, internet and TV businesses, as well as churn reduction
- the Simplification, the Digital and the Customer Experience, measuring our progresses versus our ambition in these domains
- the “employee engagement index”, measuring on a yearly basis our employees’ engagement, agility and strategic alignment.

The achievement of these KPI's are regularly followed-up and communicated. Business cash flows is based on audited reported financial figures that are adjusted to obtain ‘underlying’ financial figures after exclusion of ‘incidentals’. Non-financial indicators are measured by internal and external agencies specialized in market and customer intelligence, of which the processes are audited on a regular basis.

The result at Group level is based on a predefined formula taking these key performance indicators into consideration according to a predefined weight per indicator.

### Individual performance

On top of the Group results, the individual performance is annually evaluated in the course of the first quarter following the end of the year by the Board of Directors. This evaluation is based on the recommendations made by the Nomination & Remuneration Committee versus pre-defined measurable individual objectives and versus the promotion of our company values and culture.

The individual performance is taken into account for 40% in the short-term variable remuneration. Besides the individual differentiation in terms of talent, performance and impact on the Group performance, the Board of Directors ensures the consistency between the total allocated amount for the individual performance and the Group results.

## Short-term variable remuneration allocation

The members of the Executive Committee, current CEO included, receive a target short-term variable remuneration expressed in a percentage of the basic remuneration.

The target short-term variable remuneration of current CEO, Mr. Boutin, is amounting to 40% of his basic remuneration. Given he started his mandate in December 2019, no short-term variable remuneration has been granted yet to him in the course of 2019 for his performances in his CEO role.

The amounts reported in current document as direct and deferred short-term variable remuneration allocated to the CEO are only related to Mrs. Leroy's previous performances in her CEO role. As CEO, Mrs. Leroy was receiving a target short-term variable remuneration amounting to gross EUR 150,000, which amount was subject to the index applicable to Proximus.

As explained above, the short-term variable remuneration is allocated by the Board of Directors upon proposal of the Nomination & Remuneration Committee. The amount effectively allocated to the CEO and to the other members of the Executive Committee varies according to the Group results and to the evaluation of the individual performances by the Board of Directors.

In case of objectives realisation at 100%, the CEO or the other members of the Executive Committee gets 100% of his short-term variable remuneration target amount. In case of sustained excellent performance at Group and individual level, the short-term variable remuneration can go above the 100% of the target amount, with a cap at 200%, according to a linear allocation curve. Conversely, this percentage can drop down to 0% in case of severe underachievement.

As per her contract, the payment of the short-term variable remuneration to Mrs. Dominique Leroy in her CEO role was spread over 3 years: 50% of her variable remuneration was related to performance indicators of the accounting year (= direct short-term variable remuneration) while the other 50% was deferred: 25% was related to performance indicators pertaining over a period of 2 years and 25% was related to performance indicators pertaining over a period of 3 years (= deferred short-term variable remuneration).

In the last couple of years, the Board of Directors did a positive evaluation of the realizations of Mrs. Leroy in her CEO role, given the overachievement of her objectives and the long term value she had created since her nomination in this role.

In 2019, a direct and a deferred short-term variable remuneration were allocated to her for respectively gross EUR 105,859 (performance indicators related to 2018) and gross EUR 109,802 (EUR 55,792 linked to performance indicators related to 2017 and EUR 54,010 linked to performance indicators related to 2016). Upon termination of her mandate, Ms. Leroy kept her rights in terms of short-term variable remuneration, both direct and deferred, which is due to her for the performance years 2017 to 2019 and which will be paid to her in the course of 2020.

The total short-term variable remuneration effectively allocated in 2019 to the other members of the Executive Committee (2018 performance year) amounts to gross EUR 1,070,733.

Short-term variable remuneration in kEUR before employer social contribution.



\* Members of the Executive Committee, CEO included: the variations are due to the variations in the Group KPI results over the last performance years, knowing that these results slightly decreased for performance year 2018 compared to performance year 2017.

### Long-term variable remuneration

The members of the Executive Committee, current CEO included, receive a target long-term variable remuneration expressed as a percentage of the annual basic remuneration. This percentage is the same as the percentage of their target short-term variable remuneration.

The long-term variable remuneration is allocated to the members of the Executive Committee by the Board of Directors upon recommendations of the Nomination & Remuneration Committee. Various factors are considered for the decisions taken by the Board of Directors in terms of effective allocation, such as the retention of talents, the individual performance evaluations or/and the Group results. This allocation is made through a long-term incentives plan, currently consisting of a long-term Performance Value Plan which has been adopted by our company since 2013 and reviewed in 2019.

### Long-term Performance Value Plan

The long-term incentive plan offered by our company to its executives currently consists of a "Performance Value Plan". This plan has been designed as to keep our executive remuneration policy balanced and attractive, as well as compliant with the shareholders' expectations. It aims to ensure that the actions and initiatives taken by the executives are guided by long-term interests. Therefore, this remuneration clearly constitutes a long-term incentive.

Our Performance Value Plan is based on a balance between the individual and the Group performances.

The design of this Performance Value Plan has been reviewed further to a benchmark analysis, aimed at a better alignment on market practices and more particularly on the practices of the other European telecommunications companies.

Since the 2019 grant, in order to reflect at best the Group's achievements, the following performance criteria have been adopted:

- Total Shareholder Return: measured against the respective Total Shareholder Return of a basket of 10 other European telecom operators
- Group free cash flow: after tax, interests and all cash items but before M&A, exceptional items, financing activities and dividends
- Reputation index: based on 3 attributes being our fairness in the way we do business, our positive influence on the society and how we meet customer needs, and measured through the RepTrak® methodology from the Reputation Institute

Under this Performance Value Plan, the granted awards are blocked for a period of 3 years, after which the Performance Values vest. After this vesting, the Performance Values are paid to the beneficiaries according to the final multiplier resulting from the yearly measurement of the performance criteria. This final multiplier consists in the average of the three yearly multipliers.

In case of final multiplier at 100%, the executives get 100% of the long-term variable remuneration originally granted to them. In case of sustained excellent Group performance over this 3-year period, the final multiplier for the long-term variable remuneration can go above the 100%, with a cap at 175%. Conversely, this percentage can drop down to 0% in case of severe underperformance.

The target long-term variable remuneration of current CEO, Mr. Boutin, is amounting to 40% of his basic remuneration. Given he started his mandate in December 2019, no long-term variable remuneration has been granted yet to him in the course of 2019 for his performances in his CEO role.

The former CEO, Mrs. Leroy, was not eligible to long-term variable remuneration, so no long-term variable remuneration has been granted to her since her nomination. As a consequence, there is no amount reported in current document.

The total long-term variable remuneration effectively granted to the members of the Executive Committee others than the CEO was amounting to gross EUR 1,025,000 EUR in 2018 and to gross EUR 1,055,000 EUR in 2019.

#### Long-term variable remuneration in kEUR before employer social contribution



## Former long-term variable remuneration plan: Stock Options Plan

Stock options have been granted to the senior executives from 2004 until 2012, members of the Executive Committee included.

Only one member of the Executive Committee was still holding stock options end 2018, as shown in the table below, but now neither the CEO nor the other members of the Executive Committee hold any more stock options.

In 2018 and 2019, the CEO and the other members of the Executive Committee did not receive any Proximus shares nor Proximus stock options.

### Overview of the stock options still held by the members of the Executive Committee

		Bart VAN DEN MEERSCHE
<b>STOCK OPTIONS</b>		
on January 1 <sup>st</sup> , 2019		15.000
Exercised in 2019	Number	15.000
	Year of grant	2012
Lapsed in 2019	Number	
	Year of grant	
Forfeited in 2019	Number	
	Year of grant	
on December 31, 2019		0

The CEO, Mr. Boutin, and the other members of the Executive Committee do not hold stock options.

## Group insurance premiums and other benefits

### Group insurance premiums

The CEO, Mr. Boutin, participates in a complementary pension scheme which foresees an annual defined contribution expressed as a percentage of the basic remuneration. This percentage is amounting to 10%.

The other members of the Executive Committee are participating in a complementary pension scheme. This complementary pension scheme consists of a "Defined Benefit Plan" offering rights which are in line with market practices.

The CEO and the other members of the Executive Committee also benefit from other group insurances in line with market practices, such as life and invalidity insurances.

### Other benefits

Our Group wants to stimulate its executives by offering a portfolio of benefits and advantages that are competitive in the market place and consistent with the Group's culture. The CEO and the other members of the Executive Committee receive benefits on top of their remuneration, including medical insurance, the use of a company car, welfare benefits and other benefits in kind. Comparative assessments are regularly made on these benefits which are adapted according to the common market practices.

## General overview

Below chart reflects the remuneration and other benefits allocated directly or indirectly to the members of the Executive Committee in 2019 and 2018 by the company or any other undertaking belonging to the Group (benefit based on gross or net remuneration, depending on the type of benefit).

It should be noted that the global remuneration has been affected by the fact that in 2019 there was no active CEO for about 2 months while in 2018 Mrs. Leroy acted for a full year, and by the variations in terms of Group KPI results over the last performance years.

### Remuneration overview of the members of the Executive Committee

REMUNERATION	CEO		Other members of the Executive Committee	
	2018	2019	2018	2019
Basic remuneration	522.810 €	429.498 €*	2.466.946 €	2.632.038 €
Direct short-term variable remuneration	111.585 €	105.859 €	1.110.745 €	1.070.733 €
Deferred short-term variable remuneration	113.710 €	109.802 €	0 €	0 €
Long-Term variable remuneration	0 €	0 €	1.025.000 €	1.055.000 €
Retirement and post-employment benefits	180.003 €	157.433 €*	494.319 €	529.369 €
Other benefits	12.438 €	17.619 €*	124.172 €	145.588 €
<b>SUBTOTAL (excl. employer's social contribution)</b>	<b>940.546 €</b>	<b>820.211 €</b>	<b>5.221.182 €</b>	<b>5.432.728 €</b>
Termination benefits	0 €	0 €	0 €	0 €
<b>TOTAL (excl. employer's social contribution)</b>	<b>940.546 €</b>	<b>820.211 €</b>	<b>5.221.182 €</b>	<b>5.432.728 €</b>

\* It should be noted that in 2019 there was no active CEO for about 2 months: the reported amounts include the remuneration of Mrs. Leroy for about 8,5 months and the remuneration of Mr. Boutin for 1 month, while in 2018 Mrs. Leroy acted for a full year.

**The roles acted ad interim as CEO or as other member of the Executive Committee are not taken into consideration for current report.** All these amounts are gross amounts before employer's social contribution.

## Main provisions of the contractual relationships

### Contractual agreement related to the mandate of the CEO

The mandate of Mrs. Leroy as CEO ended on 20 September 2019.

In its meeting of 27 November 2019, the Board appointed Mr. Boutin as new CEO. The Board also co-opted on 12 December 2019 Mr. Boutin as member of the Board until the next General Meeting of Shareholders.

In his CEO role, Mr. Boutin has a contract as a self-employed executive and is thus not subject to employees' social security charges.

The CEO is bound by a non-competition clause, prohibiting him for 12 months after leaving the Group from working for any company of the telecommunication industry that is active in Belgium, in Luxemburg or in The Netherlands. If activated by our company, he would receive an amount equal to one year's base salary as

compensation. The CEO is also bound by exclusivity and confidentiality obligations and is liable for respecting the company codes and policies, like the Code of Conduct and the Dealing Code.

If the CEO mandate is revoked by our company before the end of the six-year term, except if the mandate is ended for reason of material breach, our company will pay him a contractual termination indemnity equal to one year's base fee and target short-term variable remuneration.

### **Main contractual terms of the other Executive Committee members**

All other members of the Executive Committee are all bound by a non-competition clause prohibiting them for 12 months after leaving the Group from working for any other mobile or fixed licensed operator active on the Belgian market. If activated by our company, they would receive an amount equal to six months' base salary as compensation.

Just like the CEO, the other members of the Executive Committee are also bound by exclusivity and confidentiality obligations and is liable for respecting the company codes and policies, like the Code of Conduct and the Dealing Code.

They have a contractual termination clause which foresees an indemnity of one year's remuneration.

# Position of conflicting interest

A general policy on conflict of interest applies within the company. It prohibits the possession of financial interests that may affect personal judgment or professional tasks to the detriment of the Proximus Group.

In accordance with article 7:96 of the Belgian Code of Companies and Associations, Mrs. D. Leroy, CEO, declared during the Board of Directors of 28 February 2019 to have a conflict of interest in connection with her performance evaluation for 2018, item on the agenda of that Board meeting.

In accordance with article 7:96 of the Belgian Code of Companies and Associations, the minutes of this meeting are included below:

## “Performance Year 2018

*In accordance with article 523 of the Belgian Companies Code, the CEO, Mrs D. Leroy, informs the Board and the external auditor having a conflict of interest in connection with her performance evaluation for 2018. The Board takes note of this conflict of interest and will include the necessary statement in the management report of Proximus relating to the year 2018.*

*The CEO leaves the meeting.*

*Upon the Committee’s recommendation, the Board:*

- decides that the percentage of 200 % reflects at best the individual performance of the CEO for the Performance Year 2018.*
- determines the total pay-out in 2019 as follows: 50 % of the result 2018 (105.859 EUR) + 25 % of the result in 2017 (55.792 EUR) + 25 % of the result 2016 (54.010 EUR) = 215.661 EUR.*

*The contract does not foresee in any long term incentives (value performance) for the CEO.*

*This closes the item on the conflict of interest.”*

In accordance with article 7:96 of the Belgian Code of Companies and Associations, Stefaan De Clerck, Martine Durez, Laurent Levaux, Isabelle Santens and Paul Van de Perre declared during the Board of Directors of 29 July 2019 to have a conflict of interest in connection with the item on their co-optation until the annual general meeting of April 2020, item on the agenda of that Board meeting.

In accordance with article 7:96 of the Belgian Code of Companies and Associations, the minutes of this meeting are included below:

## “Debriefing Nomination & Remuneration Committee

*The mandates of 5 other State appointed members come to an end before the next General Assembly. According to the Bylaws, the Board has the power to fill in these mandates up to the General Assembly of April 2020.*

*In accordance with article 523 of the Belgian Companies Code, Board members Stefaan De Clerck, Martine Durez, Laurent Levaux, Isabelle Santens and Paul Van de Perre inform the Board and the external auditor to have a conflict of interest in connection with the item on their co-optation until the annual general meeting of April 2020. The Board takes note of this conflict of interest and will include the necessary statement in the management report of Proximus relating to the year 2019.*

*Upon the Committee’s recommendation, the Board decides to extend the mandate of Stefaan De Clerck (ending on 20 September 2019) and the mandates of Martine Durez, Paul Van de Perre,*

*Laurent Levaux and Isabelle Santens (ending on 27 September 2019) up to the next General Assembly of April 2020.*

*This closes the item on the conflict of interest.”*

In accordance with article 7:96 of the Belgian Code of Companies and Associations, Mrs. D. Leroy, CEO, declared during the Board of Directors of 14 September 2019 to have a conflict of interest in connection with the CEO item on the agenda of that Board meeting.

In accordance with article 7:96 of the Belgian Code of Companies and Associations, the minutes of this meeting are included below:

#### “CEO

*In accordance with article 7:96 of the new Belgian Code of Companies and Associations, CEO & Board member Dominique Leroy informs the Board and the external auditor to have a conflict of interest in connection with the item on the agenda. The Board takes note of this conflict of interest and will include the necessary statement in the management report of Proximus relating to the year 2019.*

*With the aim to restore a serene climate within the company, the Board decides to commonly agree with Mrs. Leroy that she will step down as CEO and Board member on September 20, 2019.*

*The Chairman is mandated to negotiate the modalities of the end of the contract with the CEO.*

*This closes the conflict of interest.”*

## **Obligation of the law of 21 March 1991 on the reform of certain economic public companies (article 27) and on the law of 3 September 2017 regarding, amongst others, the non-financial information (article 4)**

### **Mandates exercised in companies in which Proximus participates**

The mandates exercised by members of the Executive Committee and employees of Proximus within companies, groups and organisations in which Proximus participates or to which it contributes to the functioning, are not remunerated.

Participations	Members on 31/12/2019
PROXIMUS OPAL S.A.	O. Moumal D. Lybaert
BELGACOM INTERNATIONAL CARRIER SERVICES (BICS) S.A.	S. Dufour D. Lybaert M. Gatta J. Van Acoleyen K. Vandeweyer
CONNECTIMMO S.A.	J. Joos S. De Clerck S. Dufour P. Delcoigne
PROXIMUS LUXEMBOURG S.A.	S. Dufour M. Gatta M. Lindemans R. Tilmans J. Van Acoleyen B. Van Den Meersche K. Van Parys B. Watteeuw
TELINDUS-ISIT BV	P. Van Der Perren B. Watteeuw
PROXIMUS MEDIA HOUSE (PmH) (formerly SKYNET iMOTION ACTIVITIES S.A.)	Not applicable
BELGIAN MOBILE ID S.A.	B. Van Den Meersche
PXS RE S.A.	L. Kervyn de Meerendré O. Moumal
BE-MOBILE S.A.	S. Dufour B. Van Den Meersche
CASCADOR SPRL	D. Lybaert (permanent representative of Proximus Opal S.A.)
PROXIMUS SpearIT S.A.	S. Bovy G. Rottier B. Van Den Meersche P. Van Der Perren D. Van Eynde B. Watteeuw

PROXIMUS ICT-EXPERT COMMUNITY (PIEC) S.C.R.L.	P. Herremans (permanent representative of Proximus SpearIT S.A.) S. Bovy (permanent representative of Proximus Opal S.A.) B. Watteeuw (permanent representative of Proximus S.A.) D. Van Eynde (permanent representative of Proximus Luxembourg S.A.)
CLEARMEDIA S.A.	B. Watteeuw S. Bovy D. Van Eynde O. Malherbe S. Huijbrechts
SCARLET BELGIUM S.A.	J. Castele O. Crucq C. Deltenre V. Licoppe S. Röckmann K. Vandeweyer
DAVINSI LABS S.A.	C. Crous B. Watteeuw P. Van Der Perren
Unbrace SPRL	S. Huijbrechts O. Malherbe B. Watteeuw
Codit Holding SPRL	B. Watteeuw T. Dhondt P. Van Der Perren
Tessares S.A.	M. Gatta T. Dhondt
Co-Station SA	V. Hebbelynck J. Sonck
MWingz SRL	S. Dufour D. Lybaert J. Van Acoleyen

The only exception to the non-remunerated mandates of management in companies in which Proximus participates, is hereby disclosed in accordance with the article 4 of the law of 3 September 2017 regarding a.o. the non-financial information. The remunerated board mandates are the following:

- Annual Remuneration of Mrs. Françoise Roels as board member of Proximus Media House SA (formerly Skynet iMotion Activities SA): 13,000 EUR.
- Annual Remuneration of Mr. Philip Taillieu, representing Avantix BVBA, as board member of Be-Mobile SA: 15,000 EUR.

# Miscellaneous

## Branches

Proximus SA has no branches.

## Use of financial instruments

Proximus is exposed to market risks, including interest rate risks and foreign exchange rate risks, associated with underlying assets, liabilities and anticipated transactions. Based on analysis of these exposures, Proximus selectively enters into derivatives to manage the related risk exposures.

Proximus manages its exposure to changes in interest rates and its overall cost of financing by occasionally using interest rate swaps (IRS) as well as interest rate and currency swaps (IRCS). These financial instruments are used to transform the interest rate exposure from a fixed to a floating interest rate or vice versa.

Proximus' currency exposure relates to financial debts in foreign currency and to operational activities in foreign currencies that are not "naturally" hedged. In order to hedge such exposures, Proximus uses derivatives, mainly forward foreign exchange contracts and occasionally currency options.

As a result, Proximus is exposed to counterparty risks relative to potential failure by counterparty on derivatives. In general, Proximus does not require collateral or other security from counterparties as these are highly rated financial institutions.

## Members of the Joint Auditors

The mandate of Deloitte Statutory Auditors SCRL, Gateway Building, Luchthaven Brussel Nationaal 1J, 1930 Zaventem, represented by Mr. Geert Vertstraeten and of CDP Petit & Co SPRL represented by Mr. Damien Petit, for the statutory audit mandate of Proximus S.A. will expire at the Annual General Meeting of 2022.

Mr. Jan Debucquoy has been appointed on 1 April 2015. The mandate of Mr. Pierre Rion has been renewed on 10 February 2016.

## Auditor responsible for certifications of the consolidated accounts of Proximus Group

The mandate of Deloitte Statutory Auditors SCRL represented by Mr. Geert Verstraeten and CDP Petit & Co SPRL represented by Mr. Damien Petit for the consolidated audit mandate of Proximus S.A. of public law will expire at the annual general meeting of 2022.

## In conclusion

On behalf of the Board of Directors, we propose to the shareholders to approve the annual accounts as they are presented herein and respectfully request that the shareholders grant discharge to the Directors and Auditors of the annual accounts for the execution of their mandate during the past financial year.

On recommendation of the Nomination and Remuneration Committee, we nominate in accordance with article 18 of the bylaws, Mr. Luc Van den hove as candidate independent member of the Board of Directors which corresponds with a renewal of his mandate until the annual general meeting of 2024.

On recommendation of the Nomination and Remuneration Committee, we nominate in accordance with article 18 of the bylaws, Mr. Joachim Sonne (who was co-opted by the Board of Directors on 29 July 2019) as candidate independent member of the Board of Directors for a period which will expire at the annual general meeting of 2024.

Appointment of a new Board Member in accordance with the right of nomination of the Belgian State:

In accordance with the nomination for appointment by the Board of Directors and after recommendation of the Nomination and Remuneration Committee, on behalf of the Belgian State, in accordance with article 18, § 3 of Proximus' bylaws, appointment of Mr. Guillaume Boutin, as co-opted by the Board of Directors on 12 December 2019, as Board Member for a period expiring on the date of the annual general meeting of 2024.

Appointment of Board Members, in accordance with the right of nomination of the Belgian State:

Laurent Levaux, Stefaan De Clerck, Martine Durez, Isabelle Santens, and Paul van de Perre have been appointed by the Belgian State. Laurent Levaux resigned 16 October 2019. The term of office of the other Board Members will expire at this annual general meeting on 15 April 2020. In accordance with Article 18, § 3 of Proximus' bylaws, the Belgian State has the right to nominate for appointment candidates to the Nomination and Remuneration Committee for these five vacancies. At the date of this invitation, the Belgian State has not yet exercised its right to nominate for appointment candidates. The Board of Directors continues to urge the Belgian State to nominate candidates as soon as possible. Should the Belgian State still nominate for appointment candidates, this will then be immediately announced on the Proximus website, together with all available information. When applicable, the Nomination and Remuneration Committee will immediately submit its advice to the Board of Directors, which will nominate the candidates concerned to the annual general meeting that will vote on their appointment. In the absence of the exercise of the right by the Belgian State, the Board of Directors will propose to the annual general meeting to extend the current mandates in order not to compromise, in the interest of Proximus, the continuity within, and the proper functioning of the company's Board of Directors. In such case the Board of Directors will propose to extend the mandates for a term of only 2 years and not for the normal term of 4 years so to give to the Belgian State all flexibility to propose other candidates at the annual general meeting of 2022.

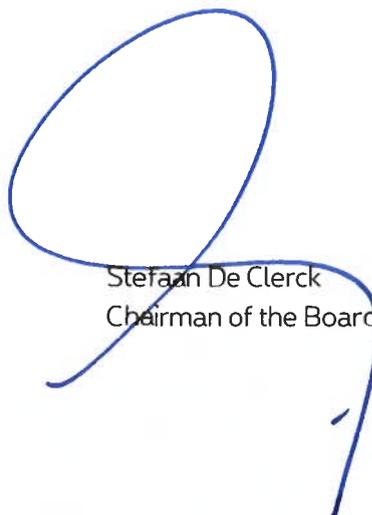
Yours truly,

On behalf of the Board of Directors,

Brussels, 20 February 2020



Guillaume Boutin  
Chief Executive Officer



Stefaan De Clerck  
Chairman of the Board of Directors