

Management Report Proximus PLC under Belgian Public Law

2020

proximus

Report by the Board of Directors to the annual general meeting of shareholders on 21 April 2021 on the annual accounts of Proximus PLC under public law as at 31 December 2020

Dear Shareholders,

We are pleased to report on the operations of the 2020 financial year and to submit for your approval, the annual accounts per 31 December 2020.

The development and the results of Proximus in 2020

Comments on the annual accounts

Balance sheet

Even though Proximus invested for € 368 million in IT assets and broadcasting rights, intangible assets decreased by € 310 million to € 2,079 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 € 42 million to € 2,675 million, as the depreciation cost was higher than the new investments. This covid-year has proved how resilient Proximus' networks are and how continuous investment in its transport network enabled to cope with sudden increases in customer usage. At the end of the year, Proximus started to ramp-up investments in fiber and in digital transformation while Mobile investment have been more focused ahead of the coming Mobile network upgrade and consolidation.

Depreciations were impacted by the accelerated depreciation of some network equipment and by the declining depreciation method for 2018 and 2019 investments. Investments of 2020 were depreciated linearly.

The participating interests in affiliated enterprises increased with € 48 million to € 1,286 million. On the one hand, Proximus SA increased the capital of Proximus Opal SA by contribution of BICS shares, the capital of Proximus ICT SA by contribution of Codit Holding BV and Davinsi Labs BV shares and increased the capital of Mwingz. On the other hand, Proximus SA recognized impairments on some of its participations.

The stocks and contracts in progress decreased with € 26 million to € 93 million. The amounts receivable within one year decreased with € 95 million to € 478 million.

The investments decreased with € 41 million to € 358 million mainly as a consequence of the revaluation of treasury shares partly offset by an increase of amounts invested in term accounts.

The cash decreased with € 69 million to € 114 million.

The equity decreased by € 17 million to € 1,658 million mainly due to the Net Income being lower than the distributed profit.

The provisions for liabilities decreased by € 239 million to €673 million mainly due to payments of termination benefits related to the implementation in 2020 of the transformation plan decided by the Board on 27 November 2019.

The amounts payable after one year decreased with € 150 million to €2,587 million as a consequence of the settlement of an intercompany loan partly offset by a new 20-year Private Placement Note (under EMTN) of EUR 150 million starting 14 May 2020 with an annual fixed coupon of 1.5%.

The amounts payable within one year decreased with € 132 million to € 2.229 million due lower dividends payable and lower debts for salaries and social charges.

Per 31 December 2020, the current liabilities exceeded 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

Compared to 2019, the operating income of the year 2020 decreased from € 4,319 million to € 4,195 million mainly following the decrease of the turnover with € 101 million.

The operating charges decreased with € 485 million to € 3,911 million mainly as a consequence of the decrease of non-recurring operating charges with € 343 million and of remuneration and social security costs with €107 million due to the implementation of transformation plan.

The decrease of non-recurring operating charges (€343 million) is mainly the consequence of the provision recognized in 2019 following the implementation of the transformation plan, the higher cost in 2019 resulting from the review of the actuarial assumptions for the provision for other post-employment benefits and the amortization in 2019 of the merger goodwill of PGS SA and Proximus . This is partially offset by a higher exceptional depreciation in 2020 resulting from review of the useful life of certain network equipment.

As a result, the operating profit for 2020 amounted to a profit of €284 million compared to a loss of € 77 million in 2019.

The financial income decreased with € 53 million down to € 499 million mainly as the result of a lower gain realized on the contribution of BICS shares into a 100% subsidiary partly compensated by higher dividends received from subsidiaries.

The financial charges increased with € 215 million due to the revaluation of treasury shares which led to a loss of € 138 million in 2020 compared to a gain of € 28 million in 2019 and the higher impairments on participations (€ 55 million in 2020 versus € 13 million in 2019).

The 2020 earnings before income taxes amounted to € 524 million (vs. € 432 million in 2019).

Corporate income taxes increased by € 68 million up to € 127 million as a result of an higher tax based partly offset by a lower tax rate.

As a consequence, the profit of the year before appropriation amounted to € 398 million in 2020 compared to € 379 million for 2019.

Appropriation of results

We propose the following appropriation (in €):

2020			
Profit of the financial year to be appropriated	+	397.845.796	EUR
Accumulated profit	+	167.288.106	EUR
Profit to be appropriated	=	565.133.902	EUR
Transfers from capital and reserves	+	165.478.328	EUR
Transfers to capital and reserves	-	15 704 325	EUR
Profit to be distributed (dividends)	-	387.581.903	EUR
Other beneficiaries (personnel)	-	26.182.963	EUR
Profit to be carried forward	=	301.143.039	EUR

On December 11th, 2020 an interim dividend of € 161.4 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 € 150 million was issued end 2020, and the right to issue Euro Medium Term Notes for a total of € 3,500 million, of which € 2,100 million was issued end 2020. On 26 October 2020, Proximus signed a new Sustainable Revolving Credit Facility of EUR 700 million for a period of three years with the option to extend twice by further one-year periods. Per 31 December 2020, there was no outstanding balance under this Facility.

Risk Management Report

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 exercise, the following risk categories were prioritized (in the following order):

- Business model and servicing evolution
- Customer experience
- Competitive market dynamics
- Employee employability, new ways of working and engagement

Furthermore, a continuous review of our enterprise risks also led us to add the following risk as a prioritized risk category:

- Impact of Covid-19 pandemic and resulting economic crisis

Business model and servicing evolution

Being largely present in a fast-changing industry, Proximus needs to consistently adapt to new technologies, deploy improved servicing approaches and launch new products. While we are confident that our strategy provides the right answers to these evolutions, it can't be excluded that part of our initiatives do not achieve the expected benefits or lead to lower revenues or profitability than anticipated. This could therefore have a negative impact on Proximus' financial performance.

The Group operates in a fast-evolving market and the profitability of the Group is dependent on its ability to adapt.

Proximus' business model and financial performance have been and will be impacted by (disruptive) technologies, such as SD-WAN, 5G and over-the-top (OTT) 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 servicing 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. Proximus also continues to develop the capacity to support business customers in their digital transformation with its industry-tailored support and convergent products combining connectivity, hybrid cloud and managed security solutions. We also announced our plans to embark in a massive proactive migration of our enterprise customers to next-gen connectivity solutions.

Proximus is also mitigating this risk by developing and expanding new local ecosystems, such as our partnerships with press conglomerates to develop our ePress offering, or our partnership with Belfius to develop a leading digital bank. This allows us to develop relevant local solutions for and together with our customers, in order to provide relevant and competitive products and services to the Belgian market.

Even if Proximus is successful in launching these new technologies and mitigating initiatives are effective, the risk remains significant, as those new technologies could generate lower revenues and/or lower profitability than existing / past products and services, and consequentially negatively impact Proximus' top and bottom line. The risk can therefore not be fully mitigated.

Customer Experience

The Group's customer experience may not be able to keep up with customer's fast-changing expectations for customer experience offered by competitors, causing customers to choose for competitors.

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 personalised experience for each customer.

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 multi-disciplinary experience teams addressing root cause of pain points" were set up to take charge of transformation projects participating in Proximus' brand promise: "Think Possible".

Despite these efforts, providing a superior customer experience remains a challenge due to the fast evolution of market and customer expectations influenced by GAFAs and OTT players, challenging Proximus' ability to quickly ingest and develop new digital services through top-notch digital user interfaces and end-to-end customer journeys. Side by side with the ever-present risk of a bold move from the competition, Proximus may miss new revenue streams and in a worst case lose its premium positioning.

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 Application Programming Interface (API) platforms), maturing markets (e.g. 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 and competitors entering new segments of the market) that might impact market value going-forward. In December 2019, 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, yet following a court procedure by competitors Orange and Telenet, this transaction was cancelled and the sale process restarted. This transaction is now expected to be finalized in the course of 2021. It will likely change the outlook and strategy of Voo going forward as a competitor of Proximus. More recently, ICT integrator Cegeka announced the purchase of B2B private network solutions provider Citymesh, strengthening their position in the B2B space. Proximus also recently announced the acquisition of MVNO Mobile Vikings. The acquisition is subject to clearance from competition authorities while a number of new MVNOs have been entering the market, such as B2B operator Sewan and Dutch MVNO leader Youfone.

In the coming 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 that could be set in the upcoming spectrum auction. Sector federation Agoria estimated, in a study published in 2018, 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 EUR 200 million – EUR 350 million. The timing of that depends on the execution of the spectrum auction, which is now planned for late 2021 or early 2022. New entrants could potentially push prices down and put pressure on Proximus' pricing model.

The upcoming spectrum allocation procedures, or auctions, also create significant uncertainty in the market. Specifically, the regulator BIPT/IBPT has proceeded with a temporary allocation of 3.6 GHz spectrum, to be used for new 5G services. This procedure saw Cegeka obtain a license for 5G services (prior to its acquisition of CityMesh), further outlining its ambitions in the B2B space. These rights will be valid until the auction of this spectrum. In parallel, the BIPT/IBPT also proceeded with the auctioning of a remaining band of 4G spectrum in the 2.6 GHz band, which was acquired by CityMesh (prior to its acquisition by Cegeka). As part of the spectrum auction planned for late 2021 or early 2022, other parties with similar interests than Cegeka/CityMesh, with a focus on the B2B market, and especially "Mobile Private Network" type of solutions, could also try to obtain spectrum rights. In all cases, the acquisition of spectrum usage rights for telecom services by new operators could put pressure on Proximus' pricing of current and new products and services.

On the residential side, 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 OTT services continue to gain ground.

As a result of its long-term strategy and continued network investments (e.g. Fiber, 5G, VDSL/Vectoring, and 4G/4G+), Proximus has been consistently improving its multi-play value propositions by, among other things, putting more customers on the latest technologies, keeping the lead in mobile innovation, structurally improving customer service, partnering with content and OTT players to offer a broad portfolio of content (e.g. Champions League, Disney+, Netflix, ...), developing an omnichannel strategy and improving digital customer interfaces (e.g. launch of the new Pickx platform and of the new TV decoder v7 based on AndroidTV). In order to best meet the needs of its customers, Proximus launch in the Summer of 2020 a new convergent portfolio targeted at families, Flex, which aims to provide the right solution in a flexible “build your own pack” approach. Through this successful launch, Proximus has continued to build up an advantageous and solid competitive position providing the company with other levers than just price, reducing the risk to churn and price disruption exposure. Nevertheless, Proximus constantly has to adjust to this moving market. Failure to come up with competitive offers can result in the loss of customers.

The price-sensitive segment, which has continued to rise in 2020 as more consumers seek ‘no frills’ offers at a lower price, is successfully addressed via Proximus’ 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 may further impact revenue and margins.

Since the drivers of these risks are mainly outside of Proximus control, mitigating measures are mainly targeted at limiting the impact. While we are confident about our ability to compete against a possible increase of competition, the risk remains overall high for Proximus, with a potential impact on both Proximus’ top line and bottom line

Employee employability, new ways of working and engagement

Failure to recruit, sustainably employ and engage a talented workforce could impact the Group’s ability to successfully deliver services and products to its customers.

In the digital and disrupting era that we are in today, knowledge workers are a competitive asset if they have the right skills and mindset and remain sustainably employable & engaged. The workplace is also changing faster than ever, in terms of job content, work environment, compositions of teams and new ways of working especially. Proximus could face a shortage of skilled resources in specific domains, such as cybersecurity, digital frontends, data science and agile IT or could face a shortage of resources that are motivated to adopt the changes in their workplace and new ways of working in their daily habits. This shortage could hamper the realization of its ambition to become a truly customer-centric organization and delay some of its objectives in innovation and digital transformation. To make this happen, we need the contribution and engagement of all our employees.

This is why Proximus is putting so much attention on training programs, internal mobility, the hiring of young graduates from relevant fields and employer branding. We give our employees the opportunity to continuously upskill and develop, particularly in the digital field. Because we want to have the right skills in-house to shape the digital economy and society of the future, and to guarantee the employability of our employees. We set up a tailored approach with programs and campaigns for all employees to create awareness and understanding on the impact of digital transformation, and to raise digital savviness. We also offer them challenging and ambitious learning tracks to upskill in fields that are critical to stay relevant in their job. In 2020, employees participated 5,2 days of training on average, representing an investment of 34,56 million for Proximus.

This is also why we foster a culture of empowerment where autonomous and effective collaboration and sharing information is a natural behavior. Enabling this new way of working requires the right digital tools. We therefore offer our employees a coherent set of user-friendly and secure digital tools that can be used on any device.

In 2020 we continued to roll-out the Microsoft O365 applications, such as MS Teams for more efficient and interactive digital meetings. To get employees on board in these continuous digital workplace changes, we provide training in hard skills and we ensure that our team leaders have strong change-management skills. Continued initiatives on building resilience also enabled employees to better cope with the changes and initiatives to stay connected to one another promoted team cohesion and showing recognition to team members. New ways of working, such as Agile and Design Thinking, leverage employee autonomy and a more accountable way of working. This allows us to create added value for our customers more quickly. We also support a more agile culture by encouraging internal mobility, as we want to ensure that all employees keep on learning and doing a job they like. *In 2020, 2146 employees changed jobs internally. Our restructuring plan, agreed end 2019 and implemented in 2020, has led to an exceptional high number of internal job changes.*

The remaining risks rely on Proximus ability to effectively upskill its workforce in line with future needs, to keep our employees engaged and motivated to learn and be at their best at work; they also rely on Proximus ability to attract the required talents which could result in impairing its ability to deliver its promise towards the customers in terms of products, services required to stay relevant versus competition. If the efforts to increase organization flexibility and agility are not successful, it could lead to a reduction of Proximus' competitiveness.

Impact of Covid-19 pandemic and resulting economic crisis

The Covid-19 pandemic has had significant impact on the world economy in 2020 – resulting in the largest year-on-year GDP decrease since WW2. While Proximus and telecommunications in general were classified as essential services, allowing our operations to continue with limited disruption throughout the crisis, we were still impacted by the temporary closure of shops, as well as through some limited supply chain disruptions. More importantly, the resulting economic crisis, which is only starting to unfold, will impact Proximus' customers financial stability and therefore indirectly Proximus. Furthermore, impact on some of our employees can also not be excluded, as the months-long confinement could lead to increased absenteeism.

Business continuity of telecom operations is critical to society in a case of a pandemic. Proximus also has a societal responsibility to ensure service continuity towards its enterprise and residential customers, both to support critical sectors of the economy to continue their activities and to allow alternative modes of working (such as work from home); but also to allow for and provide in-home entertainment during containment measures. Proximus' services were therefore considered to be essential during the crisis, allowing us to largely continue our activities despite the restrictions.

We have had challenges through the closure of shops (which were partially offset by an increase in digital sales & servicing), through some supply chain disruptions (mainly delays) and still face a significant decrease in Roaming revenues due to a significant reduction in especially non-EU travel, which is only partially offset by a decrease in Roaming costs. Still, Proximus was able to this date to weather the crisis well, and the financial impact so far was more limited than initially feared.

Still, the likely economic crisis which remains ahead of us may impact a share of Proximus' customer base, especially in the SE and Enterprise segments.

Increase in bankruptcies, decrease in revenues for several sectors, and continuing uncertainty regarding the “back-to-normal” timelines could impact the willingness of our customers to invest, and may therefore impact our revenues, though we, at this stage, do not expect any substantial impact on our 2021 revenues.

Finally, it is widely reported that the current situation, with the vast majority of the population, including our employees, in homeworking and largely confined at home, could lead to society-wide psychological impacts. It can't be excluded that this might have an impact on absenteeism in the longer-term, though Proximus has deployed a number of measures to provide support for isolated employees, and to ensure that teams remain connected throughout this longer time-off.

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

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 critical business functions, 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 their 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.

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.

Data protection and 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 2020, Proximus continued improving its GDPR compliance. Proximus has been using the functionalities and capabilities of the Collibra data governance tool to meet certain compliance requirements under GDPR e.g. register of processing activities.

To ensure privacy considerations are embedded within its business activities, Proximus has appointed Privacy Ambassadors within the different business units to provide support to the Legal department and DPO office in screening privacy sensitive initiatives. In view of the privacy by design principle, Proximus has defined a structured Privacy Review Process clarifying each step of the process, establishing templates, defining roles and responsibilities,...

As part of rendering the data subject requests process more efficient, Proximus is implementing the use of semi-automated solutions. Proximus' customers can continue to indicate their privacy preferences within the privacy settings of the MyProximus app and website.

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

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.

Environmental risk & climate change

Climate change is high on the agenda due to growing awareness on global warming. 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 has integrated its ambition #inspire2022 strategy (see chapter 2).

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 strikes 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 is in progress of phasing out most of the copper feeder cable in a timeframe of 15 years. An extensive fiber program is phasing 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 color 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.

Risk Management & Compliance Committee

In 2020, the Risk Management and Compliance Committee (RMC) held four sessions. The related decisions were reported to the Executive Committee 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 international 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, The Institute of Internal Auditors standards and other professional frameworks, 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.

End 2020 Proximus Internal Audit department has been certified by IFACI/IIA. Internal Audit has successfully undertaken an IIA Standard 1312 external quality assessment.

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 anymore. 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

In July 2020, Proximus communicated to the market that the shareholders of BICS (Belgacom International Carrier Services) were exploring a potential sale of 51% of the company's shares. After investigation of different scenarios, Proximus has concluded that the best way to execute upon its plans to create long-term value for BICS and BICS' subsidiary TeleSign was to acquire 100% ownership of BICS

On 9th February 2021, Proximus announced an agreement had been reached with MTN and Swisscom, the two minority shareholders of BICS, on the acquisition by Proximus of their respective stakes of 20.0% and 22.4% in BICS for a total cash consideration of EUR 217 million.

Circumstances that can significantly influence the development of Proximus

Circumstances that can significantly influence the development of Proximus are listed in caption 'Risk Management Report'.

Expertise of the Audit & Compliance Committee members'

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 has 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. The Chairwoman and the majority of the members exercised several board or executive mandates in large Belgian or international companies.

Evolution in research and development activities

The world around us is changing faster than ever before. We are ready for this as research on new technologies and innovation is in the DNA of Proximus.

Fiber as solution for customers' future needs

To prepare customers' future needs, we continuously invest in an innovative high speed fiber network using the newest state of the art fiber technologies. In the frame of our #inspire2022 strategy, we committed to connect 4.2 million homes and businesses to fiber by 2028. The ambition is also to expand our fiber roll-out with the goal of covering the entire Brussels-Capital Region by the end of 2026.

Mobile Leadership

We have a strong track record in pioneering mobile communications, delivering the best possible mobile experience for our customers and we will continue to do so. In 2020, we continued our investments to improve the quality of our 4G network by adopting advanced technical solutions to optimize network performance based on automation and autonomy. In 2020 we have taken big steps in the deployment of 5G in Belgium and launched the first public 5G network.

Our further 5G ambition is to be recognized as the go-to partner for 5G products and services by offering the broadest 5G coverage and highest performing network in Belgium. In order to further accelerate the development of 5G use cases, we launched a dedicated 5G innovation platform. It allows us to work closely with our technological and wholesale partners and enterprise customers, both public and private, to develop relevant innovative solutions that answer today's societal and business needs.

Proximus has already built some private 5G networks at the sites of its partners such as Port of Antwerp and Brussels Airport in order to drive innovation and digital transformation. During a pilot phase, various concrete applications will be tested that offer a better insight into the possibilities of 5G in an industrial context.

We do not forget the existing network and the needs of our customers

To continue offering the best customer experience, different transformation projects on the existing fixed network were done in 2020 to increase significantly the network capacity by using the newest high-tech technologies. Also, in home, Proximus is present to support with the newest applications available on MyProximus and novel Wi-Fi technologies such as Smart Wi-Fi and E Wi-Fi. Smart Wi-Fi manages all your connections and adapts to provide you with the best Wi-Fi coverage. E Wi-Fi improves the Wi-Fi experience of our customers by activating (Wi-Fi) software on the modem.

Focus on the customer by acting as a data driven company

The use of automation, advanced analytics and artificial intelligence enables us to offer highly qualified services. With strong personalization and authentication approach, we make our customer smile. We embed digital in everything we do and guide our customers through their journey to become digital, cloud enabled, data driven and end-to-end secure.

A digital Proximus Assistant was launched this year to help our customers. The Proximus data centres are evolving to green data centres with high availability using the newest cloud technologies and the most advanced security concepts. Proximus also participates in the taskforce 'Data & Technology against Corona' by providing anonymised & aggregated telecom data to help track people's movements and the spread of Covid-19. Finally, Proximus is engaged in initiatives where Real Time Crowd Management is needed in order to minimize risks of certain activities such as measuring the crowds at the coast (Westtoer), in shopping areas (Entrance Monitoring, for better managing and controlling the customer flow at the entrance of their shop and in-store).

We use advanced analytic and AI too, based on real time performance measurements, assess the stability and quality of our platforms and services, allowing fast detection, root cause analysis and even prevention of degradation.

Trusted curator of TV content

We are a trusted curator of TV content, presenting it through a multiscreen content navigator and delivering novel personalized recommendations. We excel in user experience on our Pickx TV platform by differentiating and keeping a close relationship with our customers. The v6 Proximus decoder has been enriched with several new features.

Thanks to the collaboration with Apple TV, Proximus customers can use the Apple TV app to buy or rent movies, subscribe to Apple TV+ and Apple TV channels, as well as enjoy Apple Music, Apple Arcade and thousands of other apps, including games, fitness and education, all through one device. Thanks to the integration of the Proximus Pickx app, customers get access to the Pickx TV platform, offering a personalized content experience available on every screen.

Things can think too

Proximus is Belgium's leading Internet of Things (IoT) connectivity provider using different wireless technologies (LTE, LoRa, NB-IoT, LTE-M). However, Proximus doesn't limit its use of IoT to connectivity. We also support our customers with full end-to-end functionalities & turn-key solutions in various domains with a special focus on Smart Buildings, Retail and Manufacturing. During the Covid-19 pandemic, new digital needs emerged due to the sudden, restrictions and adoption of new ways of working. We had to swiftly develop or adapt our solutions to support our professional customers with these changes. That's why these three aspects, Smart Buildings, Retail and Manufacturing, were so crucial in 2020.

Open innovation

We exchange knowledge on a market leader in IoT (Internet of Things). With ThinkThings in 2020, we inspired the customers with new ideas and innovative solutions and demonstrated the enormous potential of IoT and data analytics for the business. Healthcare, Azure Cloud, Edge Computing, Smart Retail and Smart Energy are just some examples of the wide range of topics and technical innovations where we collaborate with partners.

Proximus collaborates intensively with universities and university colleges. We gain access to academic insights and innovative technologies. In return, academic institutions can use our data, infrastructure and resources to put their ideas into practice. We have ongoing collaboration projects at the ULB/VUB (Brussels), UCLouvain (Louvain-la-Neuve), KU Leuven (Leuven) and UGent (Ghent) in the domains of security, mobile and fixed networking, AI, IoT and digital inclusion.

A good example is the innovative partnership for creating drone-use on demand for business applications. Proximus, SkeyDrone and DroneMatrix have recently joined forces to develop an integrated platform, allowing drones to perform on-demand missions for business purposes. This platform is called the '6th NeTWork'. After a first phase of commercial and technical testing, if successful, the three partners will bring this service to the market in a B2B environment before the end of 2021.

Via exclusive partnerships, we continuously extend and trigger our own research and development done in the different Proximus labs and mastered by our innovation teams.

We act in a sustainable way

Digital innovations will shape the future of our economy and society. Besides increasing the digital possibilities of our customers, we also want to have an impact on societal and ecological challenges.

Sustainability has been an important part of our business strategy for many years. This has ensured that Proximus is internationally regarded as a 'best practice' company for its own sustainability efforts but also for the strict social, ethical and environmental standards that we impose to our suppliers. Proximus has received a gold medal from EcoVadis for its efforts and activities in the field of sustainable development/sustainability for the fourth time in a row and our current score even places us in the top 5% of companies evaluated by EcoVadis.

Also, climate change is one of the most pressing issues of our time and a major concern of society. Our ambition is to be a leading company in the fight against climate change and we are committed to further reducing our impact on the environment and enabling our customers to reduce theirs through our products & services. We have set up programs in which we involve our suppliers, employees and customers. We have made it a priority to provide our customers with a green, reliable network that allows for the best connection quality while reducing its impact on the environment as much as possible by applying the principles of circular economy in the design of the network itself. Our network, like our buildings for that matter, operates exclusively with electricity from renewable sources. And this since we joined RE100, a global initiative bringing together the world's most influential businesses and driving the transition to 100% renewable energy.

In order to adapt to technological developments and to its users' needs, our network is constantly evolving. The accelerated optical fiber roll-out allows to recover copper cables for recycling or reuse for other purposes. Fiber is also beneficial for the environment as it is more energy efficient than copper and has a longer lifespan.

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 dilemma's and we put the right measures in place to ensure our business is conducted ethically. This first of all 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 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).

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 a Code of Conduct, 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 his/her 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, 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 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 'Risk Management Report'.

Risk mitigating factors and control measures

Mitigating factors and control measures are reported in the caption 'Risk Management Report'.

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 and the 2020 Corporate Governance Code, 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 ⁽¹⁾	69	Chairman	2013 – 2022
Guillaume Boutin ⁽²⁾	46	Chief Executive Officer	2019 - 2024
Karel De Gucht	67	Director	2015 – 2021
Martine Durez ⁽¹⁾	70	Director	1994 – 2022
Isabelle Santens ⁽¹⁾	61	Director	2013 - 2022
Paul Van de Perre ⁽¹⁾	68	Director	1994 - 2022

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

Name	Age	Position	Term
Pierre Demuelenaere	62	Independent director	2011 - 2021
Martin De Prycker	66	Independent director	2015 - 2023
Catherine Rutten	52	Independent director	2019 - 2023
Joachim Sonne ⁽²⁾	46	Independent director	2019 - 2024
Agnès Touraine	66	Independent director	2014 - 2022
Catherine Vandendorre	50	Independent director	2014 - 2022
Luc Van den hove ⁽²⁾	61	Independent director	2016 - 2024

(1) By decision of the AGM of 15 April 2020, the mandates were extended until the AGM of 2022

(2) By decision of the AGM of 15 April 2020, the mandates were extended until the AGM of 2024

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.

The members of the Audit & Compliance Committee are: Mrs. Catherine Vandendorre (Chairwoman), Messrs. Stefaan De Clerck, Pierre Demuelenaere, Joachim Sonne, Paul Van de Perre (until 29 April 2020) and Mrs. Catherine Rutten.

The members of the Nomination & Remuneration Committee are: Messrs. Stefaan De Clerck (Chairman), Pierre Demuelenaere, Martin De Prycker, Luc Van den hove 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, Paul Van de Perre (as of 29 April 2020) 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

The Board of Directors will decide after the General Shareholders Meeting of 2021 on the organization of a new external evaluation.

Executive Committee

Chief Executive Officer

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 AGM of 15 April 2020 extended his mandate as Board member until the AGM to be held in 2024.

The members of the Proximus Executive Committee, other than Mr. Guillaume Boutin, the CEO, are Mrs Anne-Sophie Lotgering, Mrs. Katleen Vandeweyer, Messrs. Jim Castele, Dirk Lybaert, Geert Standaert, Renaud Tilmans and Jan Van Acoleyen.

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, and its purpose and results, are described below.

Strategic orientation about diversity & inclusion

Proximus believes that a diverse workforce, through our employees' unique capabilities, experiences and all other characteristics unrelated to someone's abilities, will help us 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 in which these differences are recognized and respected and 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 behavior 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 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 of the importance of diversity at all levels of the organization and concentrates on recruiting employees with an inclusion and growth mindset and whose behavior is in line with the company's 4 core values. Once they are part of the company, we ensure that they are the best ambassadors of our company culture by including a part on our inclusion program and philosophy in our on-boarding tool, our welcome days, and in all related training for team leaders, experts, trainees, etc.

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

Within the framework of its CBA 2019-2020, Proximus has also reviewed its **policy of gender neutrality**, whereby Proximus commits to continue to support the 'Embrace Difference' initiative and to remain open and non-restrictive in its communication, marketing and recruitment campaigns. Proximus has set itself the objective of being the most active company in the promotion of women in the digital world and of recruiting 25% of women with a university degree in technical areas by the end of 2021.

This is why Proximus supports internal and external diversity network activities and initiatives, such as the AfroPean network (APN). We have a Diamond Sponsorship in the 'Women on Board' organization and we've started a partnership with Google, launching the **#IamRemarkable** initiative within our organization during the worldwide week-long edition of November 2020. At the heart of the #IamRemarkable initiative is a 90-minute workshop that strives to empower participants to talk openly about their achievements in their personal and professional lives, provides them with tools to develop this set of skills, and invites them to challenge the biases surrounding self-promotion.

With regard 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
- 25% of the Executive Committee
- 24% of the members of the Leadership Team
- 31% of all employees' population.

With 52 nationalities, Proximus Group also has a very diverse workforce in terms of culture.

Our different cultural values foster inclusion and promote collaboration.

To further support our internal and external diversity & inclusion goals, we formed a **D&I Work Group**, composed of volunteers of all backgrounds and with different profiles, who are the ambassadors of our program and provide information, resources, and support to promote an inclusive environment with a diverse workforce.

We wanted a safe place to share our experiences and struggles and use those stories to bring further positive change in the way we operate as a company, reviewing both internal processes and the way we affect our communities.

We will keep on creating supportive networking groups so that everyone can reinforce their feeling of belonging to our community.

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

Proximus wants to create conditions that allow its personnel to reconcile the different aspects of their professional and private lives during their different life phases by offering opportunities for internal job change and development opportunities, homeworking, part-time schedules, home childcare, ... These measures enable 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 a founding partner of '**Experience@Work**'. Thanks to this company, experienced talents from organizations can be deployed in other organizations that are looking for specific experience and/or talent.

The pandemic has massively changed our professional and private life. A series of training and resilience initiatives have been put in place to help our employees cope with change.

However, while everyone has tried to find a new balance in the new way of working, the isolation we sometimes feel during this COVID-19 period makes us want to reconnect with others, to continue to find meaning in our work, to feel valued, to reaffirm our place within our team and Proximus, and to be able to look to the future with confidence.

Proximus will also update the brochure of the offer on sustainable employability and will communicate this offer to all workers aged 55+.

In 2021, we will also launch a pilot project for this age group, who are employed at CBU as shop and call center salespeople, to revamp their working regime and reduce their work schedules.

Diversity as part of the Proximus code of conduct

Proximus' sense of purpose 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 behavior. Each employee has a crucial role to play in this matter. This is why the Code of Conduct is in place, representing our corporate culture and values. This Code of Conduct reflects the fundamental principles and rules that are the foundations of our engagement to be a socially responsible company. The Code of Conduct applies to everyone: Board of Directors, managers and all employees. Although the Code of Conduct cannot directly be imposed on our business partners, we seek to always work with partners that respect 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 when we respect basic human rights and value diversity, cultural and other differences. Our Code of Conduct, values and behavior 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.

These standards are also defined in the Diversity and Equal Opportunities policy that has been reviewed in 2020. With this policy, we want to enable conditions in which differences are recognized and respected, and where all employees are given equal opportunities. This policy is applicable to all active employees of the Proximus Group.

Working conditions

Proximus is committed to creating working conditions that promote fair employment practices and in which 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 Labor 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 labor or any form of forced or compulsory labor as defined by the ILO's 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, and by the Belgian Corporate Governance Code 2020 ("the 2020 Corporate Governance Code") as well as by the market practices and trends, but also according to the Proximus context, its specific strategies and its ambition to participate in an inclusive, secure, sustainable and prosperous digital Belgium.

Our company is taking particular care to provide relevant and transparent information on the general principles governing its remuneration policy and the level of remuneration of the members of the Board of Directors and of the Executive Committee. The Proximus Remuneration Policy will be submitted to the General Meeting of Shareholders of Proximus on 21 April 2021 and, if approved, will be published on the corporate website of Proximus.

All amounts in this remuneration report are presented as gross amounts. For employees this is the gross salary (excl. employer's social contribution) and for self-employed employees this is the gross remuneration (excluding VAT).

Remuneration of the members of the Board of Directors

Structure of the remuneration of the members of the Board of Directors

The principle of continuity with the past has been maintained. The remuneration adopted by the General Assembly of 2004 has remained applicable in 2020 and no substantial change of the policy is expected for the coming years.

The Board of Directors is composed of no more than fourteen members, including the Chief Executive Officer ("the CEO"). The CEO is the only executive member at the Board, all other members are non-executive Directors.

The CEO 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 non-executive Directors are remunerated as follows:

For the Chairman of the Board of Directors:

- An annual fixed compensation of EUR 50,000 granted pro rata temporis of the duration of the mandate.
- An attendance fee of EUR 10,000 per attended meeting of the Board of Directors.
- An attendance fee of EUR 2,500 per attended meeting as a member of an advisory committee of the Board of Directors. This fee is doubled per attended meeting as chairman of this advisory committee.
- An annual fixed allowance of EUR 4,000 for communication costs
- The use of a company car

For the other members of the Board of Directors:

- An annual fixed compensation of EUR 25,000 granted pro rata temporis of the duration of the mandate.
- An attendance fee of EUR 5,000 per attended meeting of the Board of Directors.
- An attendance fee of EUR 2,500 per attended meeting as a member of an advisory committee of the Board of Directors. This fee is doubled per attended meeting as chairman of this advisory committee.
- An annual fixed allowance of EUR 2,000 for communication costs.

These amounts are paid semi-annually and are not subject to indexation.

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

Although the 2020 Corporate Governance Code recommends that a non-executive board member should receive part of their remuneration in the form of shares in the company, the company has decided not to comply with this provision taking into account its specific shareholdership, having the Belgian State as majority shareholder.

The Chairman of the Board of Directors is also Chairman of the Joint Committee and of the Pension Fund, and he does not receive any fees for these mandates.

Remuneration granted to the members of the Board of Directors in 2020

The total amount of the remunerations granted in 2020 to all the members of the Board of Directors, Chairman included, is amounting to gross EUR 1,231,116.

The overview of the individual Directors' gross amounts paid out to the Directors in 2020, 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 and sixteen Committee meetings.

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	219.116 €
Guillaume Boutin	10/10				0 €
Karel De Gucht	10/10			2/2	82.000 €
Pierre Demuelenaere	10/10	5/5	9/9		109.500 €
Martin De Prycker	10/10		9/9	2/2	102.000 €
Martine Durez	10/10		9/9		97.000 €
Catherine Rutten	10/10	4/5			87.000 €
Isabelle Santens	10/10				77.000 €
Joachim Sonne	10/10	5/5			89.500 €
Agnès Touraine	10/10			2/2	82.000 €
Catherine Vandendorre	10/10	5/5			102.000 €
Luc Van den hove	10/10		8/9	2/2	99.500 €
Paul Van de Perre***	10/10	2/2		1/1	84.500 €

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

* Including one extraordinary non-remunerated (short) NRC meeting on November 25, 2020.

** 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, which amounted to EUR 2,616 in 2020

*** Paul Van de Perre: the Board of Directors decided in its meeting of April 29, 2020 to appoint him as member of the TIC and to stop his mandate as member of the ACC on that date.

Global Rewards Program – general vision

As provider of digital services and communication solutions, our company is operating in a complex, dynamic and constantly changing environment, on a highly competitive and rapidly evolving Belgian and international telecom market.

To achieve our transformation, ambitions and objectives, and so ensure the long-term sustainability of our Group, we need qualified, talented and highly committed employees and managers, working in close cooperation, building resilience and promoting our culture and values. It is therefore critical to have a competitive and 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.

Our company has innovative remuneration policies and practices that are regularly assessed and updated through close cooperation with universities and external human resources fora. The practices used for the remuneration of our employees are defined in a process of dialogue with the Board of Directors and with the social partners.

In view of its history as a company under public law, our company presents certain differences, in its dynamics and structure, compared to the private sector. These differences have had a considerable influence on the evolution of its remuneration policy.

Our human resources department has thus developed creative and modular programs to meet our obligations related to the statutory nature of the employment of certain staff members and has introduced new elements that have made it possible to harmonize policies between statutory and contractual staff members

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 as a reference operator;
- To stimulate empowerment to meet our commitment to participate in the creation of an inclusive, safe, sustainable and prosperous digital Belgium;
- 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 in line with our company values and culture;
- To link pay to both individual performance and the overall success of our company in order to reinforce the alignment with the business strategy and successful execution;
- 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 at large.

Our company also maintains – and modernises – additional motivational instruments, such as work- life benefits (e.g. sick childcare and hospitalisation), wellbeing initiatives and social assistance.

Our priority is to work on the basis of remuneration practices that prepare the future and support the promise made to our employees to empower them to take accountability, to achieve our company's ambition and strategic objectives and to make them proud of the successes we achieve together.

Remuneration of the members of the Executive Committee

Decision-making process

The remuneration program of the Executive Committee and the individual remuneration packages 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, sustained performance and critical skills.

Competitiveness of the remuneration of the Executive Committee

The remuneration policies and practices applicable to the Executive Committee are aimed to reward the executives competitively and at rates that are attractive in the market, align the interests of management and shareholders and comply with the governance rules applicable in Belgium. Although the 2020 Belgian Corporate Governance Code recommends that the Board should set a minimum threshold of shares to be held by the members of the Executive Committee, the company has decided not to comply with this provision taking into account its specific shareholdership, having the Belgian State as majority shareholder.

To achieve its transformation, ambitions and objectives, and thus ensure the long-term sustainability of the Group, our company intends to attract and retain qualified, talented and committed leaders for its Executive Committee. We want to recognize clear role models, who deliver a high level of performance and promote our culture and 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 them 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.

To distinguish ourselves from other employers, our company seeks to differentiate in the total package offered, by providing not only a cash remuneration but also other benefits. A limited degree of freedom is also left to the top management, the CEO and the other members of the Executive Committee included, with regard to the choice of the pay-out means of their variable compensation.

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

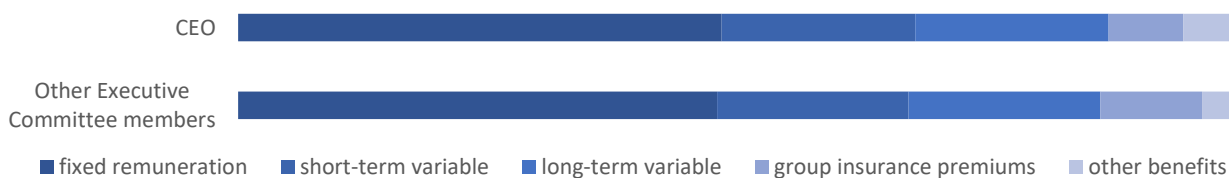
Remuneration structure of the Executive Committee

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

- Fixed remuneration
- Short-term variable remuneration
- Long-term variable remuneration
- Group insurance premiums
- Other benefits
- One-off and exceptional bonuses

Current variable remuneration policy is aligned for all Executive Committee members, CEO included. The target] percentage of both the short-term and the long-term variable remuneration amounts to 40% of the fixed remuneration.

Relative importance of the various components of the on-target remuneration before employer's social contribution (end 2020)



The CEO and the other members of the Executive Committee do not receive any remuneration in the form of Proximus shares or Proximus stock options.

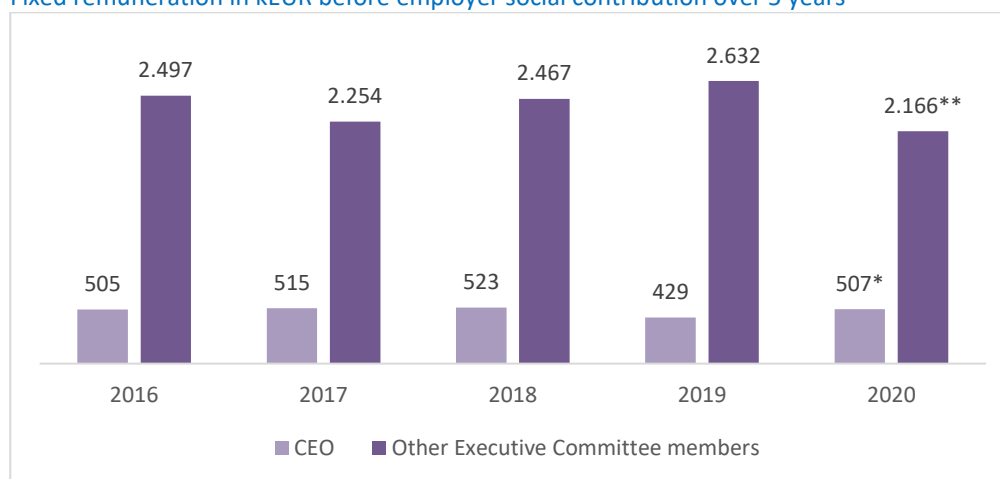
No substantial change of the remuneration policy is expected for the coming two years

Fixed remuneration

The fixed remuneration consists of a fixed 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 and by the level of individual skills and experience, considering market practices. This remuneration is allocated regardless of the results and is contractually subject to the consumer price index¹.

The fixed remuneration of the CEO is set by the Board of Directors at the beginning of his six-year mandate for the duration of his mandate. The fixed remuneration of the Executive Committee members others than the CEO is regularly assessed by the Nomination & Remuneration Committee, based on an extensive review of sustained performance and assessment of potential of each member provided by the CEO, as well as on external benchmarking data on market practices. Thereby, the evolution of the fixed remuneration depends on the competency level of the Executive Committee member, of his or her sustained 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.

Fixed remuneration in kEUR before employer social contribution over 5 years



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

** The amounts reported for 2016 to 2018 were paid to the former CEO, Mrs. Leroy, as for most of 2019 (385 kEUR) while on month in 2019 (44 kEUR) and the amount reported for 2020 were paid to the current CEO, Mr. Boutin.*

*** The year-to-year variations are mainly resulting from the changes in the composition of the Executive Committee.*

¹ in accordance with the rules laid down by the Law of 1 March 1977 organising a system of linking certain public sector expenditure to the State consumer price index, as amended by Royal Decree No 178 of 30 December 1982

Short-term variable remuneration

Purpose and components of the short-term variable remuneration

The members of the Executive Committee, CEO included, receive a target short-term variable remuneration expressed as a percentage of the annual fixed remuneration. This target percentage is identical for all Executive Committee members, CEO included, and amounts to 40% of the fixed remuneration.

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 the Group's success to ensure its sustainability.

The 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)

The short-term annual variable remuneration is thus partly calculated – for 60% – in relation to the Group's performance against Key Performance Indicators (KPI's), which are yearly set by the Board of Directors upon recommendation from the Nomination & Remuneration Committee.

We make sure that these KPI's are varied, clear and measurable. They include financial as well as non-financial indicators at Group level and are inspired by our strategy of creating value for the clients and by our ambition towards a long-term sustainable growth.

These KPI's are adapted annually in order to reflect at best the year-over-year evolution of our Group's priorities and ambitions. For the sake of confidentiality, the KPI's are only reported a posteriori in this report.

The KPI's at Group level are currently taking into account the following elements:

- the business cash flow and the savings in terms of operational expenditure
- the Digital and Customer Experience, measuring our progresses versus our ambition in these domains
- the number of new customers in voice, fix, internet and TV businesses, as well as the churn reduction
- the value creation in terms of fiber, showing the societal commitment of our company and measuring the progress of the Belgian deployment and coverage, the revenues generated, as well as the activations and the evolution of their cost
- the Employee Experience, measuring on a yearly basis our employees' engagement, agility, accountability and strategic alignment towards our company

The KPI's at Group level for Performance year 2019 (used as basis for the allocation of short-term variable remuneration in 2020) were as follows:

Performance year 2020	
Key Performance Indicators (financial and non-financial)	Weight
Business Cash Flow	30%
Customer Experience	20%
Net Acquisition Value	10%
Fiber Value Creation	10%
Digital	10%
Gross Opex Savings	10%
Employee Experience	10%

For each performance indicator, a target amount or percentage is defined, as well as a range defining the minimum and maximum limits.

The achievement of these KPI's are regularly followed-up at the Remuneration Committee. The Business Cash Flow and the Gross Opex Savings are determined on the basis of audited reported financial figures, 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.

During the first quarter following the involved year, the results at Group level are assessed by the Board of Directors on the basis of a predefined formula taking these KPI's into consideration according to a predefined weight per indicator, as mentioned above.

Individual performance

The individual performance is taken into account for 40% in the short-term variable remuneration.

On top of the Group results, the individual performance is annually evaluated in the course of the first quarter following the end of the financial year by the Board of Directors. This evaluation is based on the recommendations made by the Chairman of the Board of Directors for the CEO performance and by the CEO for the other members of the Executive Committee.

Throughout each performance period, the achievements of the on-going year are regularly measured and discussed. The final evaluation takes into account the realizations versus predefined measurable individual objectives as well as the achievements of the Executive Committee members in their leadership role and their active role in the promotion of our company culture and values.

These individual objectives are set every year in line with the specific role and responsibilities of each Executive Committee member and need to reflect our long-term corporate strategy which is cascaded within the company and included in the individual objectives as to enable our Group to fulfil its ambitions.

We are committed to stimulate high and sustainable levels of performance in a spirit of innovation, collaboration, agility and personal development.

Upon final evaluation, the Board of Directors will not only take into consideration the individual differentiation between the members of the Executive Committee in terms of performance and talent but will also ensure that the total amount allocated for individual performance is in line with the results at Group level, in order to consolidate the interdependence between the individual contribution and the company's performance.

Short-term variable remuneration allocation

As mentioned above, the amount effectively paid to the CEO and to the other members of the Executive Committee varies according to the Group results (for 60%) and to the evaluation of the individual performances (for 40%) by the Board of Directors.

In case of objectives realization at 100%, the CEO or the other members of the Executive Committee gets 100% of his or her short-term variable remuneration target amount. In case of 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 underperformance.

As also stated above, the Board of Directors will always ensure that the total amount allocated for individual performance is in line with the results at Group level, in order to consolidate the interdependence between the individual contribution and the company's performance.

One of the principles 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 means of their variable remuneration. They therefore get the opportunity to invest part of their short-term variable remuneration in a bonus pension plan, i.e. an additional supplementary pension plan, and to receive part of their short-term variable remuneration in cash bonuses, in non-recurring benefit (pursuant to the Act of 21 March 1991) or in (non-Proximus) warrants or fund options, always within the limits of the relevant regulations.

Given Mr. Boutin started his CEO mandate in December 2019, only the short-term variable remuneration allocated to him in the course of 2020 for one month performances in his CEO role is included in the reported allocated amount for 2020. The amount reported in current document as direct and deferred short-term variable remuneration allocated to the CEO is thus mainly related to Mrs. Leroy's previous performances in her CEO role.

In 2020, a short-term variable remuneration has been allocated for the CEO roles for a total amount of gross EUR 458,833, composed out of gross EUR 18,833 allocated to Mr. Boutin and gross EUR 440,000 allocated to Mrs. Leroy. Indeed, upon termination of her mandate, Ms. Leroy kept her rights in terms of direct and deferred short-term variable remuneration which was due to her for the performance years 2017 to 2019 and which has been paid to her in the course of 2020.

The total short-term variable remuneration effectively allocated in 2020 to the other members of the Executive Committee (2019 performance year) amounts to gross EUR 1,807,390. This amount includes an exceptional bonus paid to our former Chief Financial Officer, Mrs. Dufour, rewarding her excellent performance in the course of 2019 in her ad interim CEO role. This amount also includes the amount paid to the current CEO, Mr. Boutin, for his performances in 2019 as member of the Executive Committee (before his nomination as CEO).

Short-term variable remuneration in kEUR before employer social contribution over 5 years



* The amounts reported for 2016 to 2019 were paid to the former CEO, Mrs. Leroy. The amount reported for 2020 includes the amount paid to the current CEO, Mr. Boutin (EUR 18,833 gross) but also includes the amount (EUR 440,000 gross) paid out to former CEO, Mrs. Leroy, for her performance years 2017 to 2019.

** Members of the Executive Committee: the year-to-year variations are mainly resulting from (i) the variations in the Group KPI results, from (ii) the changes in the composition of the Executive Committee and from (iii) the exceptional bonus paid in 2020 to our former Chief Financial Officer, Mrs. Dufour, rewarding her excellent performance in the course of 2019 in her ad interim CEO role. The reported amount for 2020 also includes the amount paid to the current CEO, Mr. Boutin, for his performances in 2019 as member of the Executive Committee (before his nomination as CEO).

Long-term variable remuneration

Purpose and components of the long-term variable remuneration

Our company wants to encourage its Executive Committee, as well as the other members of its top management, to generate sustainable and profitable performance and growth over the long term, in line with our strategy at Group level, our societal ambitions and the expectations of our shareholders and all our other stakeholders.

Our company therefore wants to consistently reward leaders who, over the long term, are real role models, deliver a high level of performance and promote our culture and values.

To ensure sustainable performance, the remuneration policy of our Executive Committee, CEO included, significantly links their variable remuneration to our Group's long-term financial and non-financial strategic objectives.

Long-term variable remuneration allocation

The members of the Executive Committee, CEO included, receive a target long-term variable remuneration expressed in a percentage of the fixed remuneration. This target percentage is the same as the percentage of their target short-term variable remuneration, i.e. 40% of the annual fixed remuneration.

The long-term variable remuneration is allocated to the members of the Executive Committee by the Board of Directors upon recommendations made by the Nomination & Remuneration Committee.

The long-term incentives plan currently in place is a long-term Performance Value Plan, which has been adopted by our company in 2013 and reviewed in 2019.

The amount actually paid after vesting, i.e. after three years, will depend on a final multiplier as described below.

Long-term Performance Value Plan

The long-term incentive plan offered by our company to its executives is currently set up as a Performance Value Plan. This plan has been designed to keep the long-term variable remuneration of the executives 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 in 2019 further to a benchmark analysis, in order to align it with the market practices and more particularly with the practices of the other European telecommunications companies.

Since 2019, in order to reflect at best the Group's achievements, the following performance criteria are used in the framework of this Performance Value Plan:

- Total Shareholder Return: measured against the respective Total Shareholder Return of a basket of 10 other European telecom operators
- Group free cash flow
- Reputation index reflecting how our customer focus and strategic decisions influence our reputation in the market and thus our long-term sustainability: based on 3 elements 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.

Long-term Performance Value Plan	
KPI	Weight
Total Shareholder Return	40%
Group free cash flow	40%
Reputation index	20%

Under this Performance Value Plan, the awards granted are blocked for a period of 3 years. Executive Committee members who would put an end to their employment relationship with our company before the end of this blocking period would lose the awards granted. This rule also applies in case the company puts an end to an employment relationship for serious cause on the part of a member of the Executive Committee.

After this blocking period of 3 years, the Performance Values vest and the Performance Values are then 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 payment of the Performance Values is made through a cash bonus.

Given Mr. Boutin started his CEO mandate in December 2019, only the long-term variable remuneration allocated to him in the course of 2020 for one month performances in his CEO role is included in the reported granted amount for 2020. The former CEO, Mrs. Leroy, was not eligible to long-term variable remuneration.

The total long-term variable remuneration effectively granted to the members of the Executive Committee others than the CEO was amounting to gross EUR 1,055,000 EUR in 2019 and to EUR 916,375 EUR in 2020. This amount includes the amount granted to the current CEO, Mr. Boutin, for his performances in 2019 (11 months) as member of the Executive Committee (before his nomination as CEO).

Long-term variable remuneration granted in kEUR before employer social contribution over 5 years



* CEO: former CEO, Mrs. Leroy, was not eligible to long-term variable remuneration. The reported amount for 2020 is related to one-month performances of Mr. Boutin in his CEO role in 2019.

** Members of the Executive Committee: the year-to-year variations are mainly resulting from the changes in the composition of the Executive Committee. The reported amount for 2020 includes the amount granted to the current CEO, Mr. Boutin, for his performances in 2019 (11 months) as member of the Executive Committee (before his nomination as CEO).

The CEO and the other members of the Executive Committee did not receive any Proximus shares nor Proximus stock options over the last 5 years.

Group insurance premiums

Complementary pension

The CEO participates in a complementary pension scheme entirely financed by Proximus which foresees an annual defined contribution calculated as a percentage of the fixed remuneration. This percentage amounts to 10%.

The other members of the Executive Committee participate in a complementary pension scheme entirely financed by Proximus which consists of a “Defined Benefit Plan” offering pension rights which are in line with market practices. This scheme therefore corresponds to a promise made by the company of a certain amount at retirement age based on the plan rules, an amount that does not depend on an investment return

Other group insurances

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.

As for the life insurance, the beneficiaries of the CEO or of another member of the Executive Committee will receive, in the event of death during the term of his or her contract, a gross capital lump equal to the monthly salary multiplied by 60.

In the event of work incapacity due to illness or private accident, the professional income of the CEO or another member of the Executive Committee is 100% guaranteed for the first three months of the incapacity. As from the fourth month, the disability insurance covers the payment of a disability annuity by the insurance company on top of the ceiling of the legal sickness-disability insurance provided by the Belgian social security.

Average premiums cost for the company

The average premiums paid by our company for the group insurances of the CEO is estimated to 15% of his fixed remuneration.

As for the other members of the Executive Committee, the average premiums paid by our company for their group insurances over the last 5 years amounted to about 25% of their fixed remuneration. In 2020 these premiums amounted to about 21% of their fixed remuneration.

Group insurance premiums in kEUR before employer taxes over 5 years



* CEO: the amounts reported for 2016, 2017, 2018 and 2019 were paid to the former CEO, Mrs. Leroy. The amount reported for 2020 was paid to the current CEO, Mr. Boutin. The decrease is due to the change of complementary pension plan features with the nomination of current CEO, Mr. Boutin.

** Members of the Executive Committee: the year-to-year variations are mainly resulting from the changes in the composition of the Executive Committee.

Other benefits

Our Group wants to stimulate its executives by offering a portfolio of benefits and advantages that are competitive in the marketplace 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.

Non-recurring costs – like relocation costs upon recruitment of new members residing abroad, for instance – are impacting the evolution from year to year of the total cost for our company for these benefits and advantages. The ratio versus the fix remuneration can therefore significantly evolve from a year to another.

This ratio can be estimated to 11% for the CEO. As for the other members of the Executive Committee, the average cost for our company for these other benefits over the last 5 years amounted to about 5 to 7% of their fixed remuneration.

Other benefits in kEUR before employer taxes over 5 years



Non-recurring costs – like relocation costs upon recruitment of new members residing abroad, for instance – are impacting the evolution from year to year of the total cost for our company for these benefits and advantages.

* CEO: The amounts reported for 2016, 2017, 2018 and 2019 were paid to the former CEO, Mrs. Leroy. The amount reported for 2020 was paid to the current CEO, Mr. Boutin.

One-off and exceptional bonuses

The Board of Directors may, in exceptional circumstances and upon recommendations made by the Nomination & Remuneration Committee, grant one-off bonuses to one or more members of the Executive Committee.

This may be necessary, for example, in the case of additional responsibilities exceptionally assumed by a member of the Executive Committee when an Executive Committee position is vacant, or in the event that a sign-on or a special retention bonus would be necessary due to market circumstances. If granted, such bonuses are reported together with the short-term variable remuneration.

In 2020 an exceptional bonus has been paid to our former Chief Financial Officer, Mrs. Dufour, rewarding her excellent performance in the course of 2019 in her ad interim CEO role. This amount is included in the short-term variable remuneration allocated to the other Executive Committee members.

Recovery of undue variable remuneration

A claw back stipulation is part of the contract of the CEO enabling our company to recover the paid short-term and long-term variable remuneration or to withhold the payment of this variable remuneration in the case of established fraud.

As for the other members of the Executive Committee, the employment contracts of those members appointed as from January 1, 2020 include a specific claw back stipulation regarding the recovery in favour of our company of the short-term and long-term variable remuneration that would have been attributed to them on the basis of erroneous financial information. The employment contracts of those members appointed prior to January 1, 2020, however, do not include such a stipulation.

These stipulations do not mention the way undue variable remuneration would be recovered. If the case were to arise, which seems unlikely in view of the multiple controls and audits carried out before publication of the results, the recovery would be analysed, both in terms of the amounts to be recovered and the way to do it.

Main provisions of the contractual relationships

Proximus' contractual relations with the CEO and the other members of the Executive Committee are in line with current market practice.

Contractual arrangement with the CEO

The CEO has a contract as self-employed executive with a fixed six-year term.

The CEO is bound by a non-competition clause, prohibiting him during 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, the CEO would receive an amount equal to one year's fixed remuneration 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 the CEO a contractual termination indemnity equal to one year's fixed salary and target short-term variable remuneration.

Main contractual terms of the other Executive Committee members

Our company and the other members of the Executive Committee are bound by employment agreements for an indefinite period that comply with Belgian corporate governance legislation and are all subject to Belgian jurisdiction.

All members of the Executive Committee other than the CEO are bound by a non-competition clause prohibiting them during 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, he/she would receive an amount equal to six months' fixed remuneration as compensation.

Just like the CEO, the other members of the Executive Committee are also bound by exclusivity and confidentiality obligations and are 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. Nevertheless, we will apply the Belgian mandatory employment law if it provides for a longer notice period (or a corresponding higher termination indemnity).

General overview

Below charts reflect the remuneration allocated to the members of the Executive Committee over the last 5 years by our company or any other undertaking belonging to the Group (benefit based on gross or net remuneration, depending on the type of benefit).

Remuneration overview of the CEO

CEO	2016	2017	2018	2019	2020
Fixed remuneration	505.005 €	515.108 €	522.810 €	429.498 €	507.492 €
Short-term variable remuneration	178.875 €	227.195 €	225.295 €	215.661 €	458.833 €*
Long-Term variable remuneration	0 €	0 €	0 €	0 €	18.833 €
Group insurance premiums	169.666 €	181.243 €	180.003 €	157.433 €	78.550 €
Other benefits	12.463 €	13.357 €	12.438 €	17.619 €	55.083 €
SUBTOTAL (excl. employer's social contribution)	866.009 €	936.903 €	940.546 €	820.211 €	1.118.791 €
Termination benefits	0 €	0 €	0 €	0 €	0 €
TOTAL (excl. employer's social contribution)	866.009 €	936.903 €	940.546 €	820.211 €	1.118.791 €

* CEO: the short-term variable remuneration amount reported for 2020 includes the amount of a deferred short-term variable remuneration (440,000 € gross) paid out to former CEO, Mrs. Leroy, for her performance years 2017 to 2019. The contract of current CEO foresees a short-term variable remuneration target amounting to 40% of the fixed remuneration.

All these amounts are gross amounts before employer's social contribution

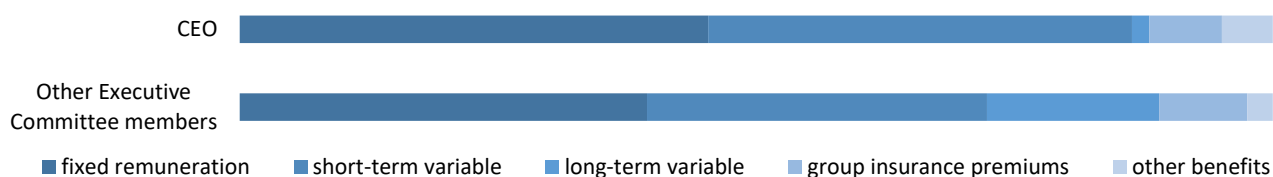
Remuneration overview of the other members of the Executive Committee

Other members of the Executive Committee	2016	2017	2018	2019	2020
Fixed remuneration	2.497.345 €	2.253.540 €	2.466.946 €	2.632.038 €	2.166.045 €
Short-term variable remuneration	1.583.327 €	1.105.537 €	1.110.745 €	1.070.733 €	1.807.390 €
Long-Term variable remuneration	982.000 €	1.005.000 €	1.025.000 €	1.055.000 €	916.375 €
Group insurance premiums	919.496 €	516.193 €	494.319 €	529.369 €	468.275 €
Other benefits	107.605 €	108.433 €	124.172 €	145.588 €	135.648 €
SUBTOTAL (excl. employer's social contribution)	6.089.773 €	4.988.703 €	5.221.182 €	5.432.728 €	5.493.733 €
Termination benefits	0 €	0 €	0 €	0 €	0 €
TOTAL (excl. employer's social contribution)	6.089.773 €	4.988.703 €	5.221.182 €	5.432.728 €	5.493.733 €

* 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.

Relative importance of the various components of the remuneration effectively allocated in 2020 before employer's social contribution



* CEO: the short-term variable remuneration amount reported for 2020 includes the amount of a deferred short-term variable remuneration (440,000 € gross) paid out to former CEO, Mrs. Leroy, for her performance years 2017 to 2019. The contract of current CEO foresees a short-term variable remuneration target amounting to 40% of the fixed remuneration

Pay ratio, pay evolution and company performance

Pay ratio

The Pay ratio portraying the gap between highest and lowest paid remuneration in the company (Proximus S.A.) on a full-time basis is equal to 26,2 in 2020. This ratio is measured by comparing the highest (the CEO one) and lowest total target remuneration package (including base pay, premiums, variable pay, group insurances and benefits), excluding employer's social contributions.

Pay evolution

Below table aims at portraying the evolution of the average remuneration on a full-time equivalent basis of the company's employees (other than members of the Board of Directors and of the Executive Committee) between 2016 and 2020.

Average remuneration of the company's employees over years, including the year-over-year evolution

	2016	2017	2018	2019	2020
Average remuneration *	74.503 €	76.973 €	77.786 €	81.802 €	86.677 €
Year-over-year evolution		+3%	+1%	+5%	+6%

* The average remuneration is measured by comparing the personnel costs – as published in the Social Balance sheet (code 1023) of the Annual Accounts of Proximus SA of the involved year – with the number of full time equivalents employees of Proximus SA at the closing date of the period (Executive Committee excluded).

Company performance

Below table shows the company's performance between 2015 and 2020.

Company performance over years, including the year-over-year evolution

(EUR million)	Underlying revenue		Underlying EBITDA	
2020	5.479	-3,6%	1.836	-1,8%
2019	5.686	-2,1%	1.870	+0,3%
2018	5.807	+0,5%	1.865	+2,3%
2017	5.778	-1,6%	1.823	+1,5%
2016	5.871	-2,1%	1.796	+3,6%
2015	5.994		1.733	

Application of the Remuneration Policy and derogations

Proximus undertakes to remunerate the members of the Board of Directors, the CEO and the other members of the Executive Committee only in accordance with its Remuneration Policy, provided the approval of this Remuneration policy by the General Meeting of Shareholders of Proximus on 21 April 2021.

However, the Board of Directors may, in exceptional circumstances and upon proposal of the Nomination and Remuneration Committee, temporarily derogate from all elements of the Remuneration Policy. Exceptional circumstances shall only cover situations in which the derogation from the Remuneration Policy is necessary to serve the long-term interests and sustainability of Proximus as a whole.

When resolving on derogations from the Remuneration Policy, the Board of Directors must comply with the decision-making procedure set out in the Remuneration Policy.

Any derogation will be communicated at the first General Meeting of Shareholders following the derogation and will be explained in the Remuneration Report for the related year.

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, the CEO, Mr. Guillaume Boutin declared during the Board of Directors of 20 February 2020 to have a conflict of interest in connection with his performance evaluation for 2019, 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 2019

CEO

In accordance with article 7:96 of the Code of Companies and Associations, the CEO, Mr Guillaume Boutin, informs the Board and the external auditor having a conflict of interest in connection with his performance evaluation for 2019 as Chief Consumer Market Officer (until December 1, 2019) and as CEO for 1 month. 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.

The CEO and CFO leave the meeting.

Upon the Committee’s recommendation, the Board:

- *decides to set the percentage for the individual performance of the CEO at 113% in line with the Group KPI for the performance Year 2019.*
- *Accordingly determines*
 - *the amount of the Short Term Incentive at 156.852 € for the 11 month period as Chief CBU and 18.833 € for the 1 month as CEO or in total 175.685 €, payable in 2020;*
 - *the amount of the Long Term Incentive at 141.375 € for the 11 month period as Chief CBU and 18.833 € for the 1 month as CEO or in total 160.208 €.*

This closes the item on 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 31/12/2020
PROXIMUS OPAL SA	O. Moumal D. Lybaert
BELGACOM INTERNATIONAL CARRIER SERVICES (BICS) SA	G. Boutin M. Gatta D. Lybaert J. Van Acoleyen
CONNECTIMMO SA	J. Joos S. De Clerck P. Delcoigne K. Vandeweyer
PROXIMUS LUXEMBOURG SA	M. Gatta V. Licoppe M. Lindemans A-S. Lotgering R. Tilmans K. Van Parys V. Vermeire B. Watteeuw
TELINDUS-ISIT BV	P. Van Der Perren B. Watteeuw
PROXIMUS MEDIA HOUSE (PmH) SA	J. Castele
BELGIAN MOBILE ID SA	A-S. Lotgering
PXS RE SA	L. Kervyn de Meerendré O. Moumal
BE-MOBILE SA	M. Lindemans J. Manssens J. Van Acoleyen
CASCADOR SRL	D. Lybaert (permanent representative of Proximus Opal S.A.)
PROXIMUS ICT SA (previously Proximus SpearIT SA)	O. Crucq H. De Volder M. Lindemans A-S. Lotgering G. Rottier C. Van de Weyer D. Van Eynde
PROXIMUS ICT-EXPERT COMMUNITY (PIEC) SC	P. Herremans (permanent representative of Proximus ICT S.A.) G. Rottier (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 SA	B. Watteeuw G. Rottier D. Van Eynde O. Malherbe S. Huijbrechts
SCARLET BELGIUM SA	J. Castele O. Crucq C. Deltenre G. Goethals G. Kelchtermans V. Licoppe F. Michaux
DAVINSI LABS SA	C. Crous B. Watteeuw P. Van Der Perren
UNBRACE SRL	S. Huijbrechts O. Malherbe B. Watteeuw
CODIT HOLDING SRL	B. Watteeuw T. Dhondt P. Van Der Perren
TESSARES SA	M. Gatta T. Dhondt
CO-STATION SA	K. Cuveele J. Sonck
MWINGZ SRL	D. Lybaert J. Van Acoleyen K. Vandeweyer

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: 13,000 EUR.
- Annual Remuneration of Mr. Philip Taillieu, representing Avantix BV, 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 Bedrijfsrevisoren/Réviseurs d'Entreprises CVBA/SCRL, Gateway Building, Luchthaven Brussel Nationaal 1J, 1930 Zaventem, represented by Mr. Geert Verstraeten and of CDP Petit & Co SRL 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 Bedrijfsrevisoren/Réviseurs d'Entreprises CVBA/SCRL represented by Mr. Geert Verstraeten and CDP Petit & Co SRL 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. Pierre Demuelenaere as candidate independent member of the Board of Directors which corresponds with a renewal of his mandate until the annual general meeting of 2023, as the 2020 Corporate Governance Code stipulates that members should not have served for a total term of more than twelve years as a non-executive board member.

Appointment of Board Members 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, we nominate Mr. Karel De Gucht as candidate Board Member which corresponds with a renewal of his mandate until the annual general meeting of 2025.

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, we nominate Mr. Ibrahim Ouassari as candidate Board Member for a period expiring on the date of the annual general meeting of 2025.


We also inform the General Annual meeting of the decision of the General Meeting of the Court of Auditors held on 3 February 2021, to appoint Mr Dominique Guide, councillor, to replace the outgoing councillor Pierre Rion and to reappoint Mr Jan Debucquoy, councillor, as members of the Board of Auditors of Proximus SA of public law, for a renewable term of six years.

Yours truly,
On behalf of the Board of Directors,

Brussels, 25 February 2021.



Guillaume Boutin
Chief Executive Officer



Stefaan De Clerck
Chairman of the Board of Directors