

# Remuneration Policy Board of Management

The purpose of PostNL is to deliver special moments and our ambition is to be the favourite deliverer. Our strategy is to become the leading logistics and postal service provider in, to and from the Benelux. This translates into strategic objectives, that can be found [here](#).

The following sections set out our Board of Management remuneration policy ('Policy'), which will be put forward for a binding shareholder vote at the 2022 Annual General Meeting ('AGM'). Subject to shareholder approval, the Policy will take effect from January 1, 2022 onwards and is, in line with applicable legislation, intended to remain in place for four years.

## Guiding Principles

The objective of the Policy is to attract, reward and retain qualified Board of Management members to set and implement our purpose, ambition, strategy, objectives and culture. The Policy is built on the following principles:

- Alignment - the Policy is aligned with multi-stakeholder interests and supports both short- and long term objectives while acknowledging the environment and societal context
- Transparent - the Policy and its execution are clear and practical
- Compliant - PostNL adopts the highest standards of good corporate governance and complies with laws and regulations
- Simple - the Policy and its execution are simple and easy to understand for all stakeholders
- Sustainable - the Policy is aligned with PostNL sustainability goals and fosters corporate responsibility

The remuneration for the Executive Committee, other senior management and employees who fall under a Collective Labour Agreement, is intended to be aligned with the principles underlying the Policy for the Board of Management. Such in order to establish internal consistency within salary structure, design of incentive plans and guidelines for salary increases. In this regard, the Supervisory Board continuously monitors the development of the pay ratios.

## Market perspective

Market perspective is one of the factors that the Supervisory Board takes into account when determining adequate remuneration levels to attract and retain qualified leaders. The Supervisory Board reviews a peer group to ensure a balanced representation of the relevant labour market. The main criteria applied to determine the peer group are Dutch listing and comparability to PostNL in terms of size (revenue, employees, market capitalisation, assets), board structure and geographical focus.

The 2020 peer group consists of the following 16 companies:

BAM	Forfarmers	Signify	IMCD
VolkerWessels	Sligro Food	KPN	Fugro
Grandvision	TKH Group	Aalberts Industries	AMG
Boskalis	TomTom	Arcadis	Basic Fit

PostNL will benchmark its remuneration against a reassessed peer group at least every four years. Based on such benchmarking, adjustments of the Policy and/or its application might be considered and (if applicable) submitted for approval at the AGM.



## Remuneration

The remuneration of the Board of Management consists of the following elements: base salary, variable income and pension and benefits. The variable income part of the remuneration consists of short- and long-term incentives ('STI' and 'LTI').

Base salary	
Purpose and link to strategy	Provides a fixed level of earnings to attract and retain the Board of Management to execute PostNL's strategy.
Operation	<ul style="list-style-type: none"><li>• The Supervisory Board sets base salaries in line with the opportunity and takes multiple factors into account, such as environment and societal context where PostNL operates in, the nature and responsibility of the role, individual and business performance, the pay conditions of PostNL's broader employee population and market positioning.</li><li>• A possible regular annual increase is capped at the salary increase of the broader PostNL workforce, as agreed upon in the PostNL Collective Labour Agreement.</li></ul>
Opportunity	<ul style="list-style-type: none"><li>• Base salary levels are set at around the median market level<sup>1</sup> of the peer group. Information on the peer group can be found in section 'Market perspective'.</li></ul>

<sup>1</sup> For the purpose of clarity: where reference is made in this Policy to the 25th percentile, this equals the lower quartile. The 50th percentile equals the median and the 75th percentile equals the upper quartile.

## Short-term incentive

Purpose and link to strategy Rewards the delivery of short-term performance and takes into account the interests of multiple stakeholders.

Performance framework and operation

- The Supervisory Board sets challenging and realistic targets for each performance measure.
- Performance period: one year.
- At the end of the performance period, the Supervisory Board determines which targets on each of the performance measures have been achieved. A performance measure can only contribute to payout if it is fully met, which means there is no stretch and no threshold.
- The STI is paid on an annual basis in cash.
- The quantifiable performance measures are defined, weighted and linked to the strategy as shown below:

Performance measure	Definition	Weight	Link to strategic objectives
Profitability	Earnings before interest and taxes adjusted for the impact of project costs and incidentals (Normalised EBIT)	30%	Generate profitable growth and sustainable cash flow
Cash generation	Cash flow available for dividend payments to shareholders, acquisition of group companies and bond repayments (Free Cash Flow)	30%	
<b>Total financial performance measures</b>		<b>60%</b>	
Employee engagement	The share of engaged employees	10%	Attract and retain motivated people
Customer Satisfaction	The share of customers who are at least very satisfied	10%	Help customers grow their business
Quality Mail	Mail sent by consumers and delivered the next day to all Dutch households <sup>2</sup>	10%	Secure a sustainable mail business
Quality Parcels	The share of parcels with an on-time, first-time delivery attempt	10%	Help customers grow their business
<b>Total non-financial performance measures</b>		<b>40%</b>	

Opportunity

- Set with a reference to the 25th percentile of the peer group.
- The maximum value is set at 37.5% of annual base salary for all Board of Management members.

<sup>2</sup> In line with the definition set by the Dutch government.

## Long-term incentive

Purpose and link to strategy	Rewards long-term value creation to PostNL’s strategy and reinforces alignment with shareholder interests by granting shares.			
Performance framework and operation	<ul style="list-style-type: none"> <li>• The Supervisory Board sets challenging and realistic target levels for each performance measure.</li> <li>• Performance period: three years.</li> <li>• Ordinary PostNL shares will be conditionally granted.</li> <li>• If dividend is paid out by PostNL, a conditional dividend equivalent is added to the conditional shares equal to the dividend rights of ordinary shares.</li> <li>• At the end of the performance period, the Supervisory Board determines the extent to which targets on each of the performance measures have been achieved and consequently to which extent the conditional shares and their dividend equivalent will vest. There is no vesting below threshold.</li> <li>• In case a tax payment is due upon vesting, performance shares may be partially sold by PostNL at vesting (‘Sell to Cover’).</li> <li>• Upon vesting, performance shares and their conditional dividend equivalent are subject to a holding period of two years. Therefore, the performance shares are blocked for a total period of 5 years.</li> <li>• The quantifiable performance measures are defined, weighted and linked to the strategy as shown below:</li> </ul>			
	<b>Performance measure</b>	<b>Definition</b>	<b>Weight</b>	<b>Link to strategic objectives</b>
	Earnings attributable to shareholders	Cumulative net earnings attributable to the shareholders, adjusted for the impact of project costs and incidentals (cumulative normalised comprehensive income)	33.33%	Generate profitable growth and sustainable cash flow
	Cash generation	Cumulative cash flow available for dividend payments to shareholders, acquisition of group companies and bond repayments (free cash flow)	33.33%	
	<b>Total financial performance measures</b>		<b>66.67%</b>	
	Climate impact	CO <sub>2</sub> efficiency of our own operations	33.33%	Improve environmental impact
	<b>Total non-financial performance measures</b>		<b>33.33%</b>	
	<ul style="list-style-type: none"> <li>• To achieve immediate shareholder alignment, new Board of Management members will directly participate in the running LTI plans. Conditional shares under the running LTI plans will be granted pro rata in time, with the same performance measures and targets as applied to other Board of Management members.</li> </ul>			
Opportunity	<ul style="list-style-type: none"> <li>• Set with a reference to the 25th percentile of the peer group.</li> <li>• The maximum value is set at 37.5% of annual base salary for all Board of Management members.</li> </ul>			

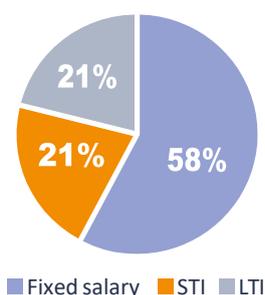
The Supervisory Board shall have the power to adjust the value of a variable remuneration component conditionally awarded in a previous financial year to a more suitable value if such payment on grounds of reasonableness and fairness (*redelijkheid en billijkheid*) would be unacceptable (ultimate remedy). Furthermore, the Supervisory Board has the authority to partially or in whole claim back the variable income if it is granted on the basis of incorrect information on achieving the performance measures relating to the variable income component or on the circumstances the variable income component depended on (claw-back).

Pension and Benefits	
Purpose and link to strategy	Remain competitive with the market.
Operation	<ul style="list-style-type: none"> <li>• Board of Management members are entitled to benefits such as pension benefits, risk insurances, company car, tax and social security, a fixed expense allowance and possible service costs.</li> <li>• Participation in the basic pension plan provided by the Dutch pension fund (<i>Stichting Pensioenfonds PostNL</i>) is mandatory under conditions that apply to the participating PostNL employees.</li> <li>• For the pensionable salary that is not covered by the basic pension plan, a company paid pension allowance of 19% applies. This contribution can be used to participate in the so-called Net Pension Plan. Dependents pension and waiver of premium in the event of disability are insured on a risk basis as part of the Net Pension Plan, the premium of which is paid by PostNL.</li> </ul>
Opportunity	<ul style="list-style-type: none"> <li>• Pension and benefits are in line with market practice and are aligned with the elements applicable to the wider workforce.</li> </ul>

## Relative proportion of the elements

Scenario analyses of the possible outcomes of the variable remuneration components and their effect on the remuneration of the Board of Management are conducted in accordance with the Dutch Corporate Governance Code.

The chart below illustrates the relative proportion of the remuneration elements (excl. pension and benefits) for the Board of Management at maximum level of performance under the Policy.



## Share ownership guidelines

All members of the Board of Management are required to hold a specified value of PostNL shares. This minimum shareholding requirement fosters the identification of the Board of Management members with PostNL's strategy and its shareholders and aims to ensure a sustainable link to the performance of the company. The minimum shareholding requirement for the CEO and CFO is equivalent to 75% of annual base salary. These shareholdings can be built up over 7 years. For existing Board of Management members, this period starts as from the date this Policy comes into effect. At their discretion the Supervisory Board may waive this obligation for a limited period of time in the event of extraordinary circumstances.

## Contractual arrangements

### Term of employment

As from 2013 onwards, new Board of Management members are engaged on the basis of a service agreement for an indefinite period of time. The service agreement ends either on the date of retirement, by notice of either party or in case of no re-appointment by the Annual General Meeting of Shareholders. Mrs. Verhagen joined PostNL prior to 1 January 2013 and is engaged on the basis of an employment contract for an indefinite period of time. The employment contract ends either on the date of retirement or by notice of either party.

Members of the Board of Management are appointed for a period of four years. On expiry of the four-year term, a Board of Management member may be re-appointed for a successive term of four years.

**Notice period**

Termination of a services agreement is subject to a notice period of six months for either party. Mrs. Verhagen must observe a notice period of three months. A notice period of six months applies in the event of termination by the company.

**Ultimate remedy / claw-back**

Ultimate remedy and claw-back provisions are part of the contractual arrangements.

**Loans**

PostNL does not grant loans, including mortgage loans or advance payments to the Board of Management members, nor provides guarantees to members of the Board of Management.

**Pension allowance**

Mrs. Verhagen is entitled to a monthly cash allowance to compensate for the effects of legislative amendments in the past with regard to pensions.

**Termination provisions**

For Board of Management members a non-compete and non-poaching clause are in place.

Severance payments are capped at one annual base salary. A severance payment will not be awarded if the service agreement is terminated early at the initiative of the Board of Management member, or in the event of seriously culpable or negligent behavior on the part of the Board of Management member in accordance with the Dutch Corporate Governance Code.

A deviating agreement on severance payment limited to the event of a change of control with Mrs. Verhagen, is respected. In the event of a change of control, the severance payment is equal to the sum of the last annual base salary and pension contribution plus the average variable remuneration received over the last three years, multiplied by two.

If a Board of Management member leaves the company due to circumstances including fraud or gross misbehavior, STI entitlements will lapse and accrued rights within the LTI plan will become void.

If a Board of Management member leaves the company due to other reasons, a pro rata time-based vesting for STI and LTI applies. Performance is determined upon actual realisation at the end of the respective full performance period and is made payable hereafter in cash or shares, unless decided otherwise by the Supervisory Board.

**Hiring policy**

Both for internal and external hires into the Board of Management, the Supervisory Board will determine the remuneration in accordance with the Policy as set herein.

**Derogation**

The Supervisory Board may, upon recommendation of the Remuneration Committee, temporarily derogate from the Policy in exceptional circumstances as defined by the Dutch Civil Code. This is limited to the remuneration elements of the Policy. In case derogation of the remuneration is applied, this will be disclosed in the remuneration report.

**Procedure**

The Supervisory Board is responsible for the Policy and its implementation in accordance with statutory, legal and regulatory requirements. The Remuneration Committee is appointed by the Supervisory Board to make a proposal to the Supervisory Board for the Policy to be pursued, make a proposal for the remuneration of the individual members and to prepare the remuneration report on the implementation of the Policy. The Supervisory Board presents the Policy and remuneration report to the AGM. Potential conflicts of interest are dealt with in accordance with the by-laws of the Supervisory Board.

## Policy revision

(Representing bodies of) several internal and external stakeholders have been consulted in drafting this Policy and further improving the remuneration report. The feedback received regarding the Policy did not lead to any adjustments .. The feedback received regarding the remuneration report led to a strengthened link between PostNL's business performance and remuneration outcomes.

This Policy contains the following adjustments compared to the previous (2020-2021) policy:

- **LTI performance measures (incl. weighting):**

LTI		
Previous policy	New Policy	Rationale
Earnings attributable to shareholders (25%)	Earnings attributable to shareholders (33.33%)	<b>Adjustment of performance measures at segment level:</b> since the LTI has no stretch opportunity and the free cash flow performance measures in the previous policy were set at segment level, outperformance on one segment does not compensate for the other, whilst the Board of Management is responsible at PostNL level. Consequently, we deem performance measures on segment level undesirable and have set the performance measure free cash flow at PostNL level. <b>Adjustment of weight of performance measures:</b> to underpin the remuneration policy's guiding principles 'simple' and 'transparent', we have redistributed the performance measures equally (i.e. 33.33% per performance measure). Furthermore, this weighting indicates equal importance from a strategic point of view.
Cash generation Parcels (25%)	Cash generation (33.33%)	
Cash generation Mail in NL (25%)		
Climate impact (25%)	Climate impact (33.33%)	