



Procurement policy 2023

Version:
May 2023
Procurement & Services

An efficient and sustainable supply chain



Procurement & Services is tasked with procurement for PostNL in the Netherlands and works together with the procurement functions of specific departments in the business, for example when it comes to outsourced transport and procurement of goods and services. We also increasingly cooperate with our (procurement) colleagues in Belgium. This means that the authority and responsibility for all purchases are regulated centrally. In addition, Procurement & Services is responsible for optimising and professionalising procurement within PostNL. By bundling synergy and purchasing power, we benefit and are better able to serve our customers.

Together with our suppliers, we work continuously to improve the supply chain and make it more sustainable. Excellent collaboration with our suppliers enables us to ensure short delivery times and more quality in the supply chain. We set measurable targets to maintain the performance of our suppliers and (sub)contractors and to improve them continuously.

For the implementation of a single integrated procurement policy, we are guided by the following basic principles:

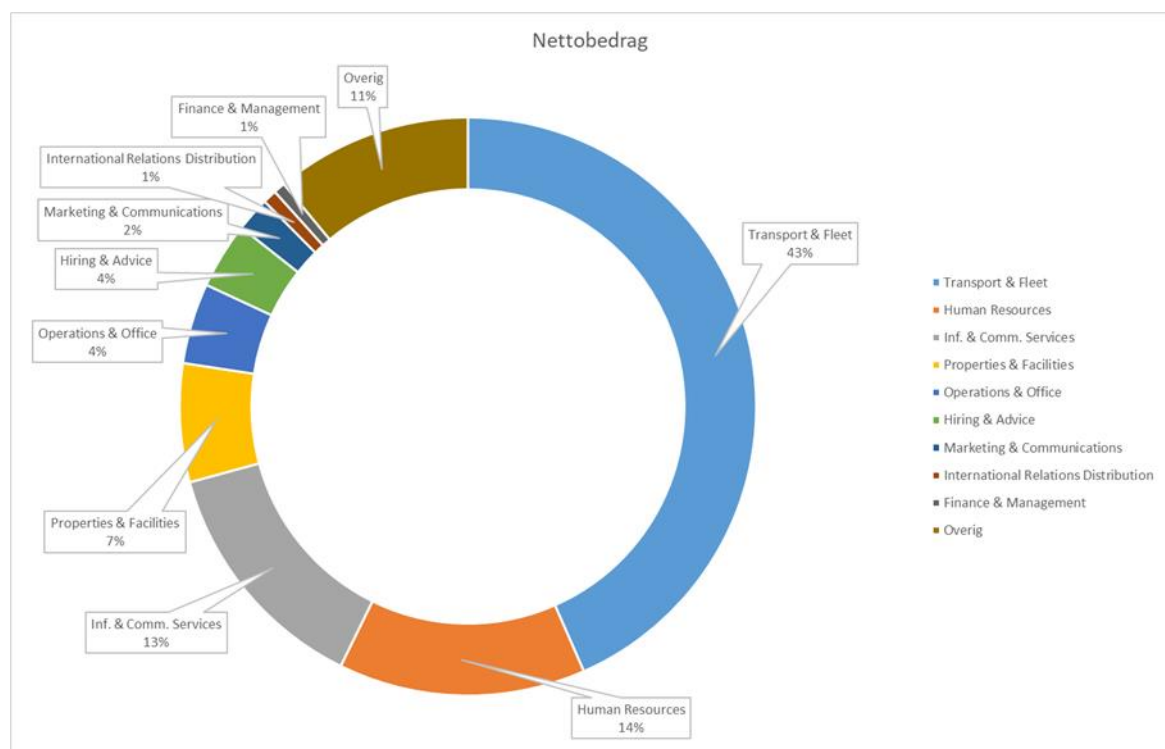
- We are recognisable and visible for internal customers acting as clients;
- We use our professional knowledge and expertise to establish and carry out a single integrated process for procurement and services;

- We provide an effective and efficient structure that makes optimum use of knowledge and purchasing power available;
- We ensure a service-oriented relationship with internal customers and provide clarity on responsibilities and powers;
- We ensure maximum financial returns by utilising all purchasing power within PostNL and by carrying out activities efficiently and effectively;
- We ensure that all of PostNL's procurement and service activities are in compliance with our procurement policy, the relevant legislation and regulations, social and ethical standards, and sustainability requirements;
- We do all of our sourcing, selection, management and development using a select group of top-quality suppliers chosen for their added value. We offer our suppliers equal opportunities based on mutual understanding and trust.

Responsibility for the purchasing policy lies with the Procurement Manager under the final responsibility of the Procurement & Services Director. The Procurement & Services Director reports to the CFO.

Procurement expenditure

Once a year, Procurement & Services collects data about all purchases within PostNL and analyses it. The expenditure is then classified by category.



2022 total expenditure: €1.56 bn. - contracted expenditure 92.7% - Number of creditors 7202



Procurement and sustainability

As PostNL, we expressly take our social responsibility. This is only possible if our procurement activities are also in line with our ESG responsibility (Environmental, Social and Governance). When selecting our suppliers and setting up our procurement processes, we therefore not only look at the price, quality and delivery periods, but also take social and environmental aspects expressly into account. We use a so-called risk assessment matrix when contracting a supplier (see also the appendix). If a supplier cannot meet our standards based on this assessment, they will not be contracted.

In case of equal suitability, we prefer suppliers with better sustainability performance.

In collaboration with our suppliers we are working on the following activities to maintain and continuously improve our performance together:

- We assess the sustainability and sustainability risks through our risk assessment matrix and require an independent sustainability assessment from the supplier to be contracted.
- Using guidelines for suppliers and subcontractors that in particular cover relevant social and environmental issues. Suppliers are required to conform to these guidelines (the PostNL Business Principles (BP) and the PostNL Set of Guidelines for Suppliers and Contractors (SoG)).

In addition, PostNL complies with the:

- UK Bribery Act 2010
- The Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (the Anti-Corruption Convention 1999)
- The US Foreign Corrupt Practices Act of 1977, as amended in 1988 and 1998 (Foreign Corrupt Practices Act Amendments)
- UN Guiding Principles for Business and Human Rights - International Bill of Human Rights - ILO Declaration on Fundamental Principles and Rights at Work

Through the mandatory acceptance of the BP & SoG, PostNL expects its suppliers to do the same.

Procurement and sustainable business operations

PostNL complies with local and international legislation and standards in the field of sustainability and gladly goes one step further. PostNL has its sustainability ambitions assessed by the *Science Base Target Initiative* (SBTi). In addition, S&P annually conducts the *Global Corporate Sustainability Assessment* for the *Dow Jones Sustainability Index* (DJSI).



Besides the SBTi and DJSI assessment, PostNL has various other sustainability assessments such as the *Carbon Disclosure Project* (CDP), EcoVadis, the foundation MVO-Register/Fira, the *Workforce Disclosure Initiative* (WDI) and the International Post Corporation (IPC). PostNL also holds various international certifications such as ISO 14001, ISO 45001 and BREEAM.

Sustainable and circular procurement

The objective is to procure goods and services as sustainably as possible, based as much as possible on the principles of the circular economy. In consultation with our internal customers/clients, we use a number of starting points for this purpose such as:

- Longest possible product service life
- Minimising the amount and diversity of waste expected at the end of the service life of a product or service.
- Encouraging (internal) reuse of products

Together with the internal clients, we also look at and discuss the 10R circularity ladder below:

1	Refuse	Preventing unnecessary use
2	Reduce	Reducing use
3	Redesign	Circular design
4	Reuse	Reuse of existing materials
5	Repair	Repair or maintenance of products
6	Refurbish	Refurbish or repair
7	Remanufacture	Reuse of (partly) discarded products in new products
8	Repurpose	Reuse of products in new applications
9	Recycle	Processing and reuse of materials
10	Recover	Incineration with energy recovery

Our procurement policy is aimed at ending up as high as possible on the circularity ladder, insofar as this fits in with the available options. The same applies to our end-of-life processes 7 through 10, which we are increasingly managing to achieve.

Procurement & Services ensures sufficient training of employees to enable sustainable/circular procurement.

Circularity working group

This internal working group has set itself the goal of acquiring and sharing knowledge. We make information on sustainable and circular projects PostNL widely available and accessible for inspiration, as a sales tool, and as evidence.

Identifying and bringing together opportunities and ideas:



We continue to work on defining and developing other opportunities and possibilities we see.

Encouraging and improving collaboration:

We work with and for the business units on circular initiatives.

Reviewing circularity policies:

We work together to test the policies to be drafted for feasibility in practice.

Legislation & regulations

Compliance with current laws and regulations is one of the preconditions of PostNL's policy. In addition, PostNL adapts the policy based on changing or new legislation that includes elements related to sustainable procurement.

Examples are the EU Taxonomy for Sustainable Activities and the Corporate Sustainability Reporting Directive, which includes, for example, requirements for circularity and transparency on sustainability in supply chains.

Collaboration with suppliers

We expect our suppliers to be reliable, prepared to enter into partnerships and to find ways to lower our costs.

In early 2022, PostNL launched a pilot study on *Diversity and Inclusion* with the aim of investigating the extent to which this has the attention of our suppliers.

When selecting suppliers and carrying out transactions, we expect the following criteria to be met:

1. The supplier acts in accordance with accepted ethical, legal and social standards.
2. The supplier complies with all applicable local and international laws, regulations, treaties and agreements.
3. The supplier has or is developing a sustainability policy for the purpose of corporate social responsibility, focusing on developments such as human rights, the environment, and diversity.
4. The supplier has sound business operations in place and may be required to disclose its management policy and the status of business operations (including financial statements).
5. The supplier delivers goods and/or services to PostNL at the right place with the right quality, price, and delivery time.
6. The supplier is able to guarantee a stable supply of goods and/or services, while demonstrating the flexibility to respond quickly to fluctuations in supply and demand.



7. The supplier has technology that makes a positive contribution to PostNL's products and services.

We conduct our activities on the basis of our BP, SoG and General Purchasing Conditions (AIV), which can be found at www.postnl.nl. In addition, PostNL aims to increase the proportion of contracted suppliers with demonstrable certification, participation in sustainability initiatives such as CDP and/or SBTi, or with a positive independent assessment on sustainability. This will have to be achieved partly by making an inventory of what the suppliers already have and partly by asking suppliers to actively work on it.

To this end, we ask contracted suppliers to provide a sustainability assessment from Ecovadis, the Dutch foundation MVO-Register, Fira, Sustainalytics or a comparable assessment body.

We process these reviews in a uniform score in our registration system. At this moment our first goal is to collect as many reviews as possible.

When enough comparable reviews have been collected, we will talk to the suppliers with the lowest scores. The aim is to discuss the weaknesses with them and to draw up improvement plans together to improve their performance. Suppliers who are not able to do so or who do not want to cooperate, might risk that the contract will not be extended or the cooperation will be terminated.

Business Principles

We have put the way we do business into words in the PostNL Business Principles (BP). We expect all our suppliers and subcontractors to behave in the same sustainable and responsible manner, in accordance with all applicable local, national and international laws, regulations, treaties and agreements. Besides agreeing contract terms, acceptance by the supplier of our BP and SoG is a requirement for doing business with PostNL.

General Conditions of Purchase

PostNL NV's General Conditions of Purchase (GCP) are generally used as the basis for contracting suppliers. These GCP include several articles related to Corporate Social Responsibility (CSR).

Set of Guidelines for Suppliers & Contractors

PostNL's Procurement & Services Department applies the OECD Guidelines with regard to Socially Responsible Procurement (SRP). These OECD guidelines are divided into 11 chapters. For more info see: <https://www.oecd.org>

In addition to the BP and GCP, a Set of Guidelines for Suppliers & Contractors (SoG) has been prepared specifically for suppliers.

This SoG is a concrete specification of PostNL's commitment to CSR. The document is not exhaustive, but is intended to provide direction on key areas of focus.



An important part of the OECD guidelines deals with responsible supply chain management. This is why PostNL expects its suppliers not only to have their affairs in order within their own organisation, but also to take responsibility further down the supply chain and ensure that things are properly organised there as well.

Statement of agreement

The GCP, BP and SoG will in principle be included as an annex to the agreement to be concluded with the supplier. In case no agreement is concluded but, for example, a one-off assignment is provided, suppliers are asked to sign a written statement pursuant to which the terms, guidelines and provisions in the said documents will apply to the assignment in question and any future assignments to be provided.

Procurement risk assessment

Procurement uses three methods to assess procurement risks. The first is an annual Risk Workshop.

Risk Workshop

Every year, an internal risk analysis (Risk Workshop) takes place at Procurement. This increases risk awareness within the organisation and enhances the ability to respond adequately to risks. The qualification of risks is based on two characteristics. It includes the assessment of the likelihood of certain effects (probability of occurrence) and the assessment of the actual outcome and scale of the effect the risk will have when it actually happens (potential consequences).

When assessing the potential consequences, several dimensions are considered. Many of the risks examined may simultaneously affect, for example, the financial situation, the environment, or PostNL's reputation.



Based on risks identified, mitigating measures are taken where necessary and corrective action is taken in the case of violations.



Risk Assessment Matrix

In our procurement processes, we use a ESG risk assessment matrix for risk classification.

The classification is based on the type of product or service in combination with the country of origin. The classification of risk countries is based on, among other things, <https://www.mvoriskchecker.nl/nl/worldmap> and <https://fragilestatesindex.org/>.

The classification results in three categories of risks. Different approaches are observed for each category.

A company visit or audit is also required for suppliers with the 'red' classification. These can be visits by ourselves or our sourcing parties, for which we have developed our own assessment system, or by independent auditors such as TÜV, Intertek, DNV or SGS, (preferably) based on standard assessment methods such as amofri BSCI or Sedex SMETA.

See also the Appendix.

Kraljic Matrix

Twice a year, the Procurement department assesses the (sustainability) risks of the contracted suppliers. This is done by commodity per purchasing segment as by suppliers per purchasing segment. The division of the procurement segments is sector-specific, such as Transport & Fleet, HRM, Operations & Office, etc.) The risks are subdivided into financial and procurement risks.

Financial

- How important is the commodity or service to the commodities or services provided by PostNL?
- Could the delivery of these be compromised?
- How will this affect PostNL's operating profit, or possibly even its stock market value?

Procurement risks

- Is the commodity or service easy to obtain?
- Are there many suppliers who can supply this product or service?
- Does the product come from a (politically) stable or unstable region?
Also on the basis of (enforced) legislation, industrialised western countries are generally less risky than developing countries.
- What are the working conditions and what about environmental and sustainability risks?
- Is the supplier using raw materials that are becoming scarce?
- Nature of the organisation: The supplier's own risk management also plays a big role. Companies with a well-established (preferably certified) management system



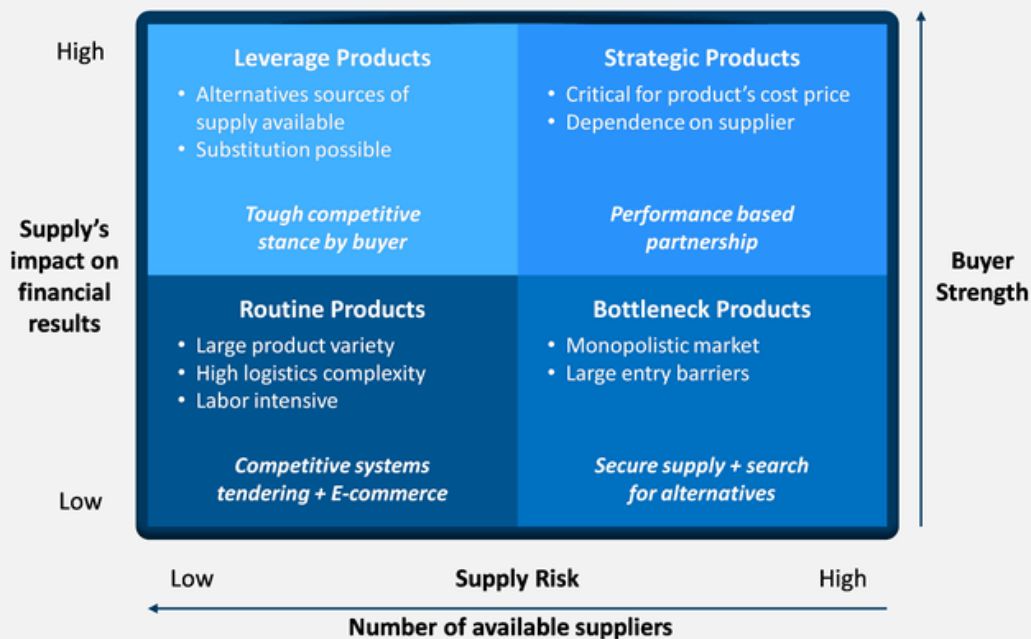
succeed better in mitigating risks than those that do not have this. Other issues that are relevant here are the risk of discontinuity, risks regarding legal ownership, risk of non-timely availability of products and services to be delivered, risk of claims, risks regarding intellectual property, negative publicity and non-compliance with laws and regulations.

For each supplier, the financial and procurement risks are shown in the Kraljic Matrix. It is divided into four quadrants, using the following classification depending on the level of the financial and procurement risks.

- Suppliers with strategic products
- Suppliers with leveraged products
- Suppliers with routine products
- Suppliers with bottleneck products

KRALJIC MATRIX

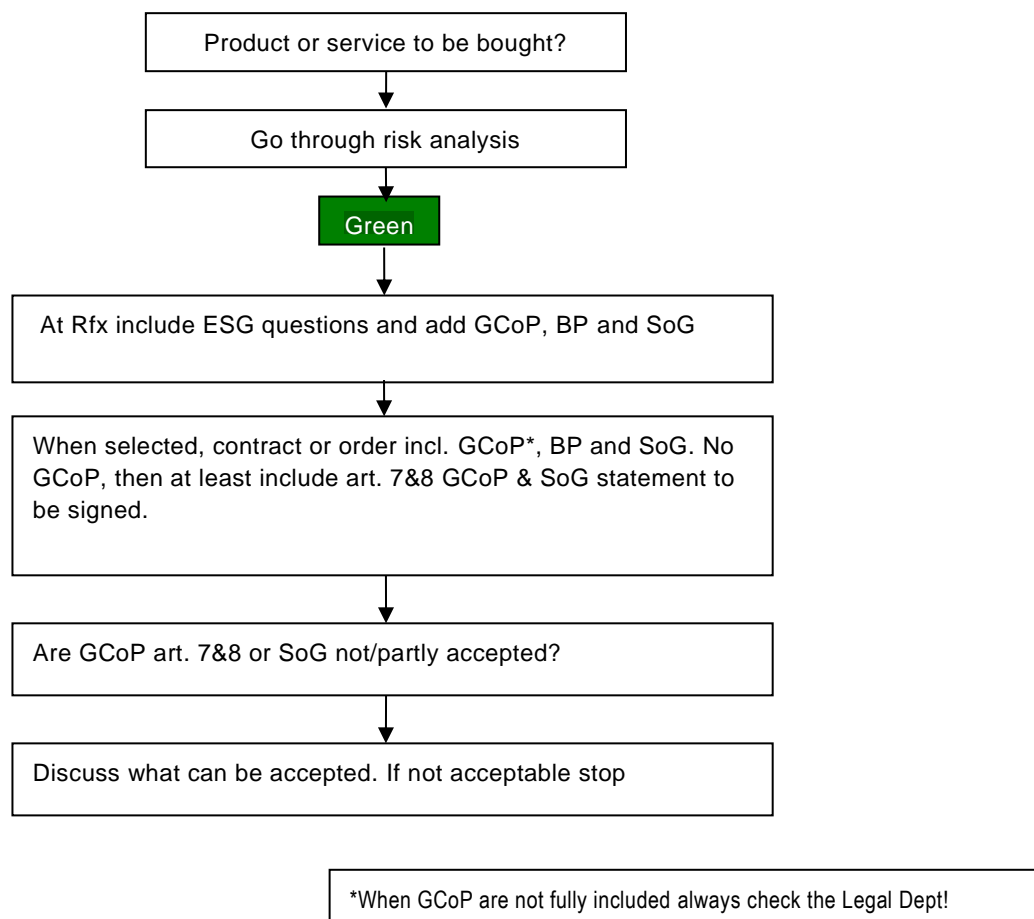
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Appendix:

CR risk rating for suppliers & follow-up measures

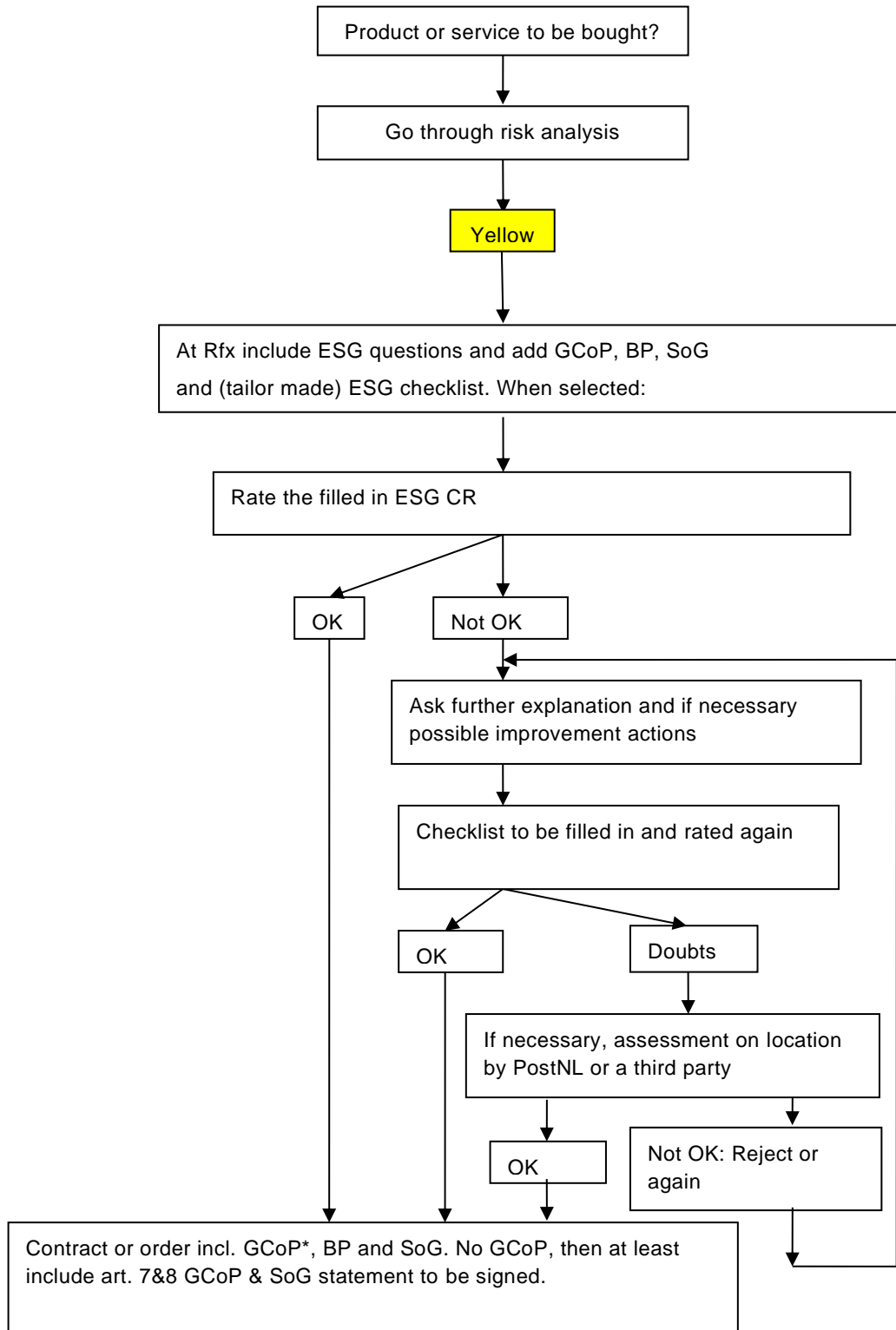
PostNL uses the SRP (Socially Responsible Procurement) risk assessment matrix for its risk classification. The classification results in three categories of suppliers: green, yellow and red. For each category, a slightly different approach should be observed and different follow-up measures apply. The following diagrams show the procedures to be followed:



GCoP = General Conditions of Purchase

BP = Business Principles

SoG = Set of Guidelines for Suppliers & Contractors



*When GCoP are not fully included always check the Legal Dept!

