



Procurement Policy

Final version
Date April 2019
Procurement &
Services



An efficient and sustainable supply chain



Procurement & Services does the procurement for PostNL in the Netherlands and collaborates with procurement colleagues of specific departments (such as sourcing, subcontractors, charters) and with colleagues in Belgium. This means that the authority and responsibility for all purchases are regulated centrally. Furthermore, Procurement & Services is responsible for optimising and professionalising purchases within PostNL. By bundling the procurement 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.

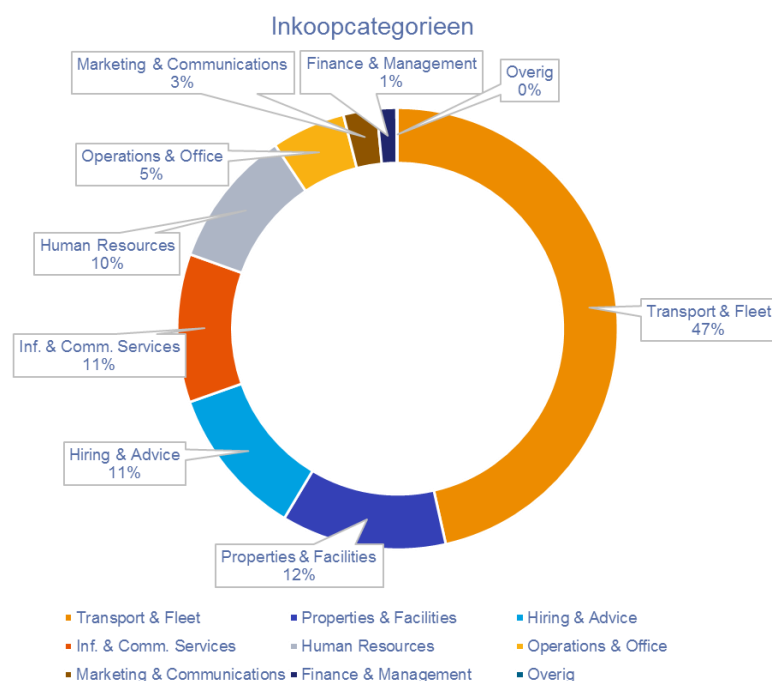
In order to achieve an integrated policy in the area of procurement, we apply the following basic principles:

- We are recognisable and visible to internal customers who act as commissioning parties
- We apply our professional knowledge and expertise to ascertaining and implementing one integrated process in the area of procurement and services
- We ensure an effective and efficient structure that uses available knowledge and procurement power optimally
- We ensure a service-oriented relationship for internal customers and provide transparency as to responsibilities and authority

- We ensure maximum financial results by using the procurement power of PostNL as a whole and carrying out activities efficiently and effectively
- We ensure that all of PostNL's purchases and service-activities comply with the procurement policy, the relevant laws and regulations, social and ethical standards and sustainability requirements
- On the basis of added value, we source, select, manage and develop a restricted number of quality suppliers. We give our suppliers equal opportunities based on mutual understanding and trust

Procurement Expenditures

Twice a year, Procurement & Services collects data about all purchases within PostNL and analyses it. The expenditures are then classified by category.



Number of suppliers: 7026 – Expenditures € 1 billion – Contracted expenditures 86% (2018)

Procurement and corporate social responsibility

As PostNL, we explicitly take social responsibility. This can only be done by also procurement with Corporate Social Responsibility (CSR). Thus, in selecting our suppliers and setting up our procurement processes, we not only look at price, quality and delivery periods but take social and environmental aspects into account as well.

Procurement & Services works in accordance with the PostNL policy in the matter of sustainability of the supply chain. To maintain and continually improve the performance of our suppliers and subcontractors, we collaborate with them on the following activities:

- Assessing sustainability risks for our suppliers and subcontractors
- Sharing best practices with suppliers and subcontractor and collaborating with them to limit or remove the risks in the supply chain
- Using guidelines for suppliers and subcontractors that taken into consideration relevant social and environmental issues in particular, such as child labour, freedom of association with others, hazardous goods. Suppliers are required to comply with these guidelines (Set of Guidelines)
- Developing and maintaining management systems that monitor the responsibilities, objectives, monitoring processes and control processes of our suppliers. These management systems are assessed and revised annually, taking into account changes in technology, legislation and/or the requirements of the company.

In addition, PostNL complies with:

- The British Bribery Act 2010
- The OECD Convention on combating bribery of foreign public officials in international business transactions, 1997
- The American Foreign Corrupt Practices Act of 1977, as amended in 1988 and 1998 (Foreign Corrupt Practices Act Amendments)

With the obligatory acceptance of the Business Principles, PostNL expects its suppliers to do the same.

Procurement and sustainable business operations

PostNL adheres to local and international legislation and standards in the area of sustainability and gladly goes one step further. PostNL's sustainability ambitions are reviewed annually by RobecoSAM for the Dow Jones Sustainability Index (DJSI).

In addition to the assessment for the DJSI, PostNL has several other sustainability assessments done, such as EcoVadis and Fira, and international certification, such as ISO and OHSAS. For an up-to-date overview, see:

<https://www.postnl.nl/over-postnl/over-ons/mvo/concrete-resultaten>

Collaboration with suppliers

We expect our suppliers to be reliable, prepared to enter into partnerships and prepare to find ways to lower our costs. We also expect our suppliers to act in accordance with the accepted ethical, legal and social standards. Furthermore, we expect them to work sustainably, in accordance with all applicable international laws and regulations.

In selecting suppliers and continually carrying out transactions, we expect that they meet the following criteria:

1. The supplier must comply with the laws and regulations and emphasises human rights, diversity and environmental awareness
2. The supplier must use proper business operations and can be requested to make public its management policy and the status of its business operations (including financial statements).
3. The supplier must provide goods and/or services to PostNL with the proper quality, price and delivery periods.
4. The supplier must be capable of providing a stable supply of goods and/or services. The company must also be flexible in responding quickly to the fluctuations of supply and demand.
5. The supplier must have a plan for providing a continuous supply of goods and/or services in times of unexpected circumstances that may influence the business and its supply chain.
6. The supplier must have technology that contributes positively to PostNL's products and services.

We carry out our activities on the basis of the PostNL Business Principles, the Set of Guidelines for suppliers and our general conditions of purchase as published on www.postnl.nl.

The PostNL Business Principles

PostNL has worded the way it wants to do business in the PostNL Business Principles. PostNL expects all of its suppliers and subcontractors to conduct themselves in the same sustainable and responsible manner, in accordance with all applicable local, national and international legislation, treaties and agreements. In addition to agreeing to contract terms, acceptance of the Business Principles are a requirement for doing business with PostNL.

The General Conditions of Purchase of PostNL NV

As a rule, the General Conditions of Purchase of PostNL NV (GCoP) are used as a basis when contracting suppliers. These GCoP include various articles that are related to Socially Responsible Entrepreneurship.

The PostNL Set of Guidelines for Suppliers & Contractors

PostNL's Procurement & Services department uses the OECD Guidelines with respect to corporate social responsible procurement. These OECD Guidelines are divided into 11 sections. For more information, see: www.oesorichtlijnen.nl/oeso-richtlijnen.

A Set of Guidelines has been drawn up specifically for Suppliers & Contractors (SoG) as a supplement to the Business Principles and the General Conditions of Purchase.

This SoG is PostNL's concrete interpretation of CSR. The document is not exhaustive but is intended to direct parties to the most important areas of expertise.

An important part of the OECD Guidelines concerns responsible supply chain management. This is why PostNL expects its suppliers to not only have matters to be organised properly within their own organisation but also to assume their responsibility in their supply chain and to ensure that matters are arranged properly there as well.

Letter to suppliers/statement

The Set of Guidelines is, in principle, included as an attachment to the contract to be concluded with the supplier. If there is no contract signed but, for example, a one-time order is given, suppliers are requested by letter to sign the attached statement, by which they declare they have read the OECD Guidelines and shall comply with the provisions in the SoG.

Risks

Assessment of procurement risks

Twice a year, Procurement assesses the (sustainability) risks of our suppliers and subcontractors. These risks are divided into financial and procurement risks.

Financial

- How important is this product to the products and services that PostNL provides?
- Could the supply of this product be endangered?
- Which consequences could this have for PostNL's operating result or even PostNL's stock market value?

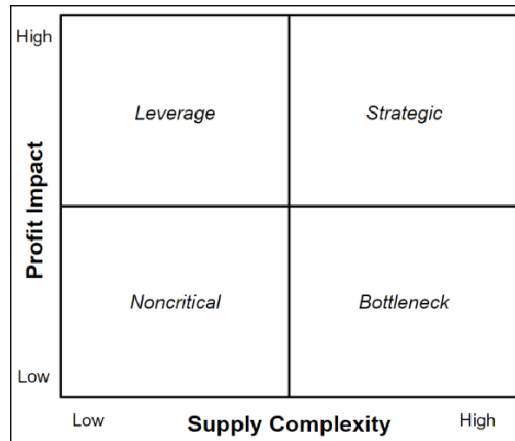
Procurement risks

- Is the product or the service easy to acquire?
- Are there many suppliers who could provide this product or this service?
- Does the product come from a (politically) stable or instable region?
Industrialised Western countries are generally, partly on the basis of (enforced) legislation, less risky than developing countries.
- What are the working conditions and what are the risks with respect to environment and sustainability?
- Does the supplier use raw materials that are becoming scarce?
- Nature of the organisation: The risk management practiced by the supplier itself plays a major role. Companies with a properly integrated (preferably certified) management system are more successful in restricting risks than companies that have not organised this. Other subjects that could be relevant here are the risk of discontinuity, risks with respect to legal ownership, the possibility of products and services not being available for timely delivery, risk of claims, risks with respect to intellectual property, negative publicity and non-compliance with laws and regulations.

The financial and procurement risks are given per supplier in the Kraljic Matrix.

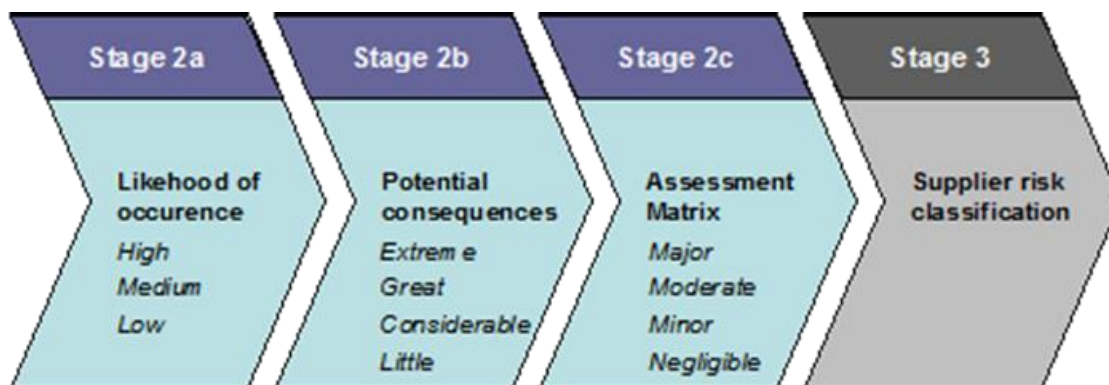
The matrix is divided into four supply categories, using the following division, depending on the level of the financial and procurement risks.

- Suppliers with strategic products
- Suppliers with leverage products
- Suppliers with non-critical products
- Suppliers with bottleneck products



Internal risk analysis

An internal risk analysis is done annually. This increases the risk awareness within the organisation and the ability to respond adequately to risks. The qualification of risks is based on two variables. It entails assessment of the likelihood of certain effects (likelihood of occurrence) and assessment of the actual result and the scale of the effect that the risk will have if it actually occurs (potential consequences).



In assessing the possible consequences, different dimensions are considered. Many of the risks investigated can at the same time have consequences for, for example, the financial situation, the environment or one's reputation.

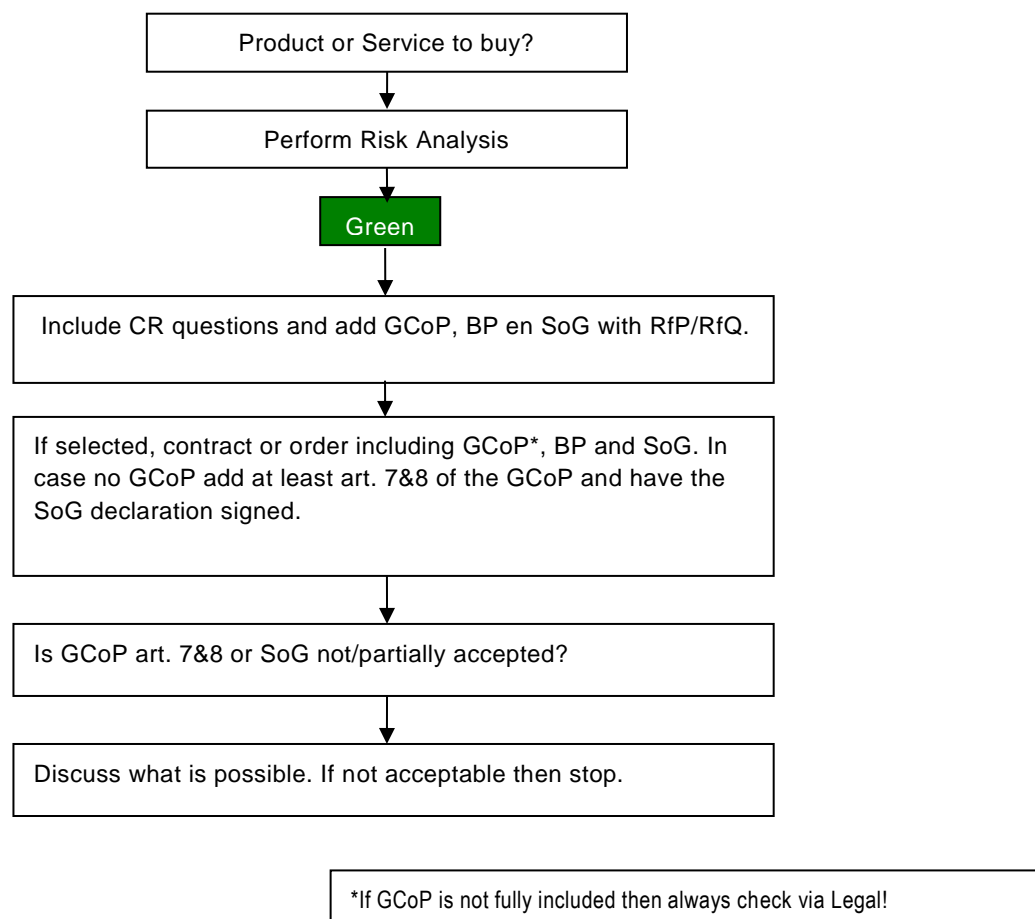
Risk classification of suppliers with procurement processes

The classification results in three categories of suppliers: green, yellow and red. For each category, a somewhat different approach must be taken. See annex.

Annex:

Risk Classification suppliers & follow-up actions

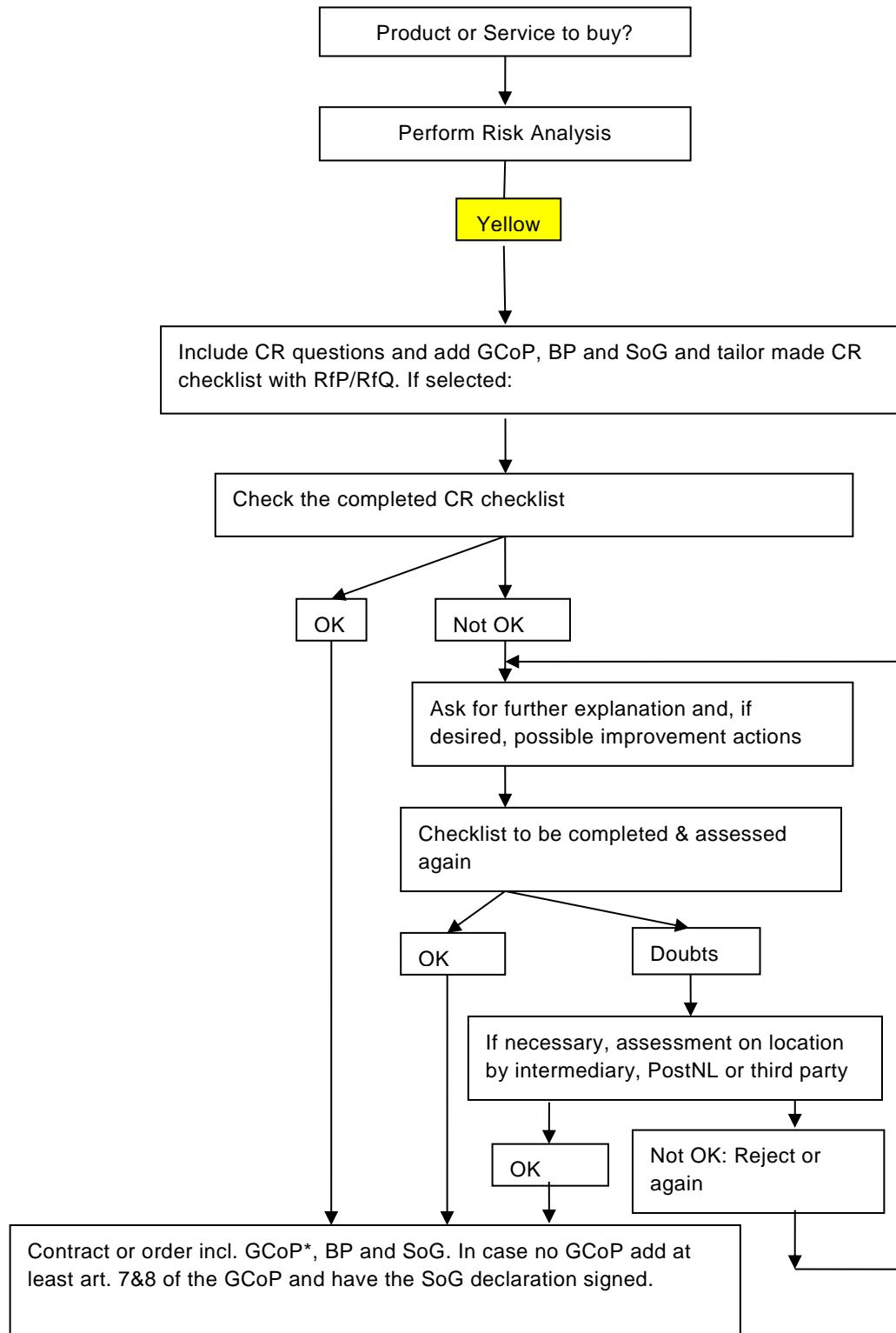
PostNL uses the MVI risk assessment matrix for its risk classification. The classification results in three categories of suppliers: green, yellow and red. For each category, a slightly different approach must be taken and different follow-up measures apply. The following diagrams show the procedures to be followed:



GCoP = General Conditions of Purchas

BP= Business Principles

SoG = Set of Guidelines for Suppliers and Contractors



*If GCoP is not fully included then always check via Legal!

