



Annual Report

Accelerating our transformation



How to read this report

Management summary

Readers looking for the highlights of 2021 are advised to read chapter 1 until 5, and the first pages of chapter 6 until 9.

Report of the Board of Management

The report of the Board of Management consists of the following sections:

- Introduction
- Business Report
- Governance, chapter 12 and 16 until 19

Forward-looking statements

This Annual Report contains forward-looking statements. Readers should not put undue reliance on these statements. These provide a snapshot on the publication date of this report. In addition, future actual events, results and outcomes likely differ from these statements made. Chapter 'Non-financial statements', section 'Safeguarding report quality' provides more information on forward-looking statements.

Versions of this document

Pursuant to section 5:25c of the Dutch Financial Markets Supervision Act (Wet op het financieel toezicht), PostNL has filed the Annual Report 2021 with the Dutch Financial Markets Authority (AFM) in the European single electronic reporting format (ESEF package). The ESEF package is available on <https://annualreport.postnl.nl/2021/> and includes a human readable XHTML version of the Annual Report 2021. The PDF, online and printed versions of the Annual Report 2021 of PostNL are prepared for the ease of use. The ESEF package prevails in case of discrepancies with the other formats in which the Annual Report 2021 is published.

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At a glance

Key figures (at year end)

Average number of letters delivered per working day

(in the Netherlands)

8.0 million



Average number of parcels delivered per working day

(in the Benelux)

1.2 million



Number of PostNL employees

(per 31-12-2021)

37,365



Unique PostNL accounts

6.8 million



Active business customers on mijnpostnl.nl

108,725



Sorting centres

(in the Netherlands, 27 parcel, 5 mail, 1 international)

33



Retail locations

(in the Benelux)

4,853



Letter boxes

(in the Netherlands)

11,386



Total kilometres transported in the Benelux

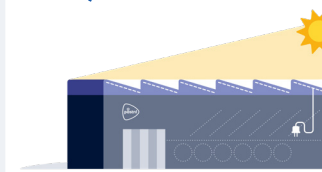
(on average per calendar day)

> 1.2 million

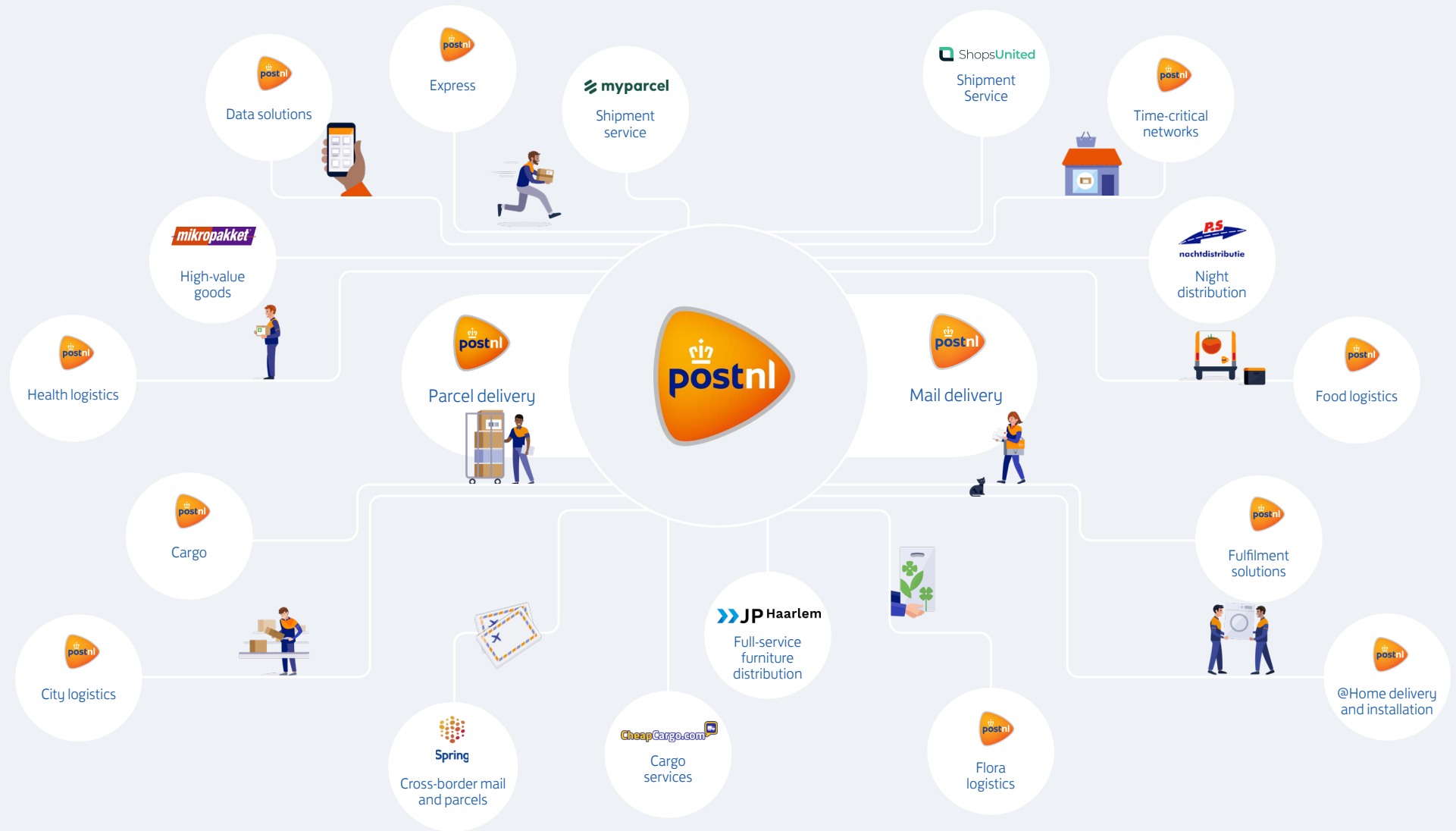


Number of solar panels on our buildings

31,974



Overview of our network and services

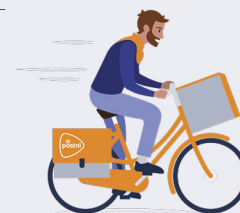


Performance 2021

Performance 2021

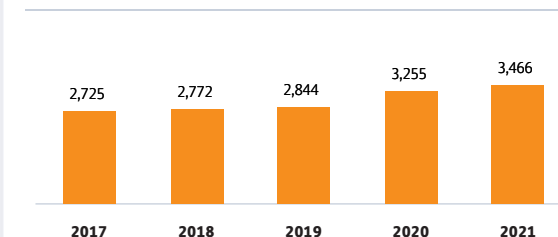
in € million, unless indicated otherwise	2020	2021	change
Results			
Revenue	3,255	3,466	6%
Normalised EBIT	250	308	24%
Profit for the year	216	258	19%
Profit from continuing operations	213	228	7%
Normalised comprehensive income	200	285	42%
Free cash flow	186	288	55%
Closing balance positions			
Adjusted net debt	(407)	(203)	50%
Consolidated equity	211	426	102%
Cash and cash equivalents	651	848	30%
Operational results			
Parcel volume (in million items)	337	384	14%
Parcel volume growth	19.2%	13.8%	(5.4)
Addressed mail volume (in million items)	2,054	2,048	(0.3%)
Addressed mail volume growth/(decline)	17.9%	(0.3%)	(18.2)
Adjusted addressed mail volume decline ¹	(9.6%)	(0.3%)	+9.3
Ratios			
Normalised EBIT margin	7.7%	8.9%	+1.2
Earnings per share (in € cents)	43.8	50.9	16%
Leverage ratio (adjusted net debt/EBITDA)	1.0	0.4	61%
Return on invested capital	17.6%	16.4%	(1.2)

¹ adjusted for 2019 full year Sandd volumes



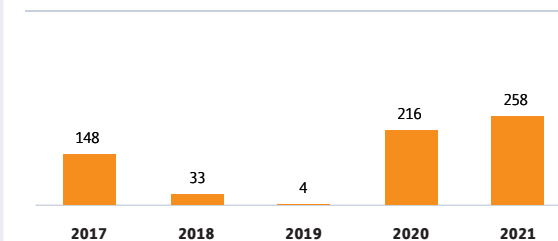
Revenue

in € million



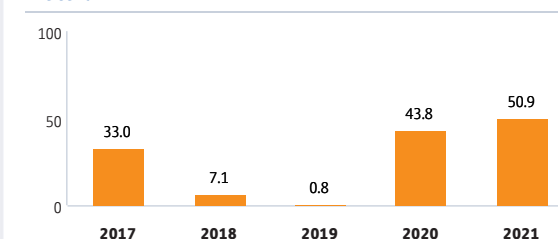
Profit for the year

in € million



Earnings per share

in € cent



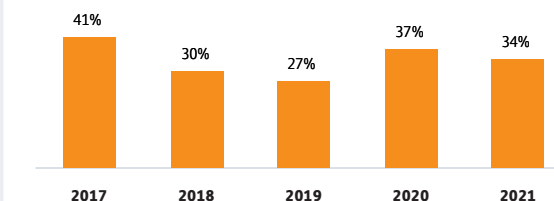
Performance 2021 (continued)

in percentage, unless indicated otherwise

	2020	2021	change
Customer value			
Share of highly satisfied customers	37%	34%	(3)
Share of satisfied customers	83%	83%	0
Delivery quality Mail in the Netherlands (2021 preliminary)	94%	94%	0
Delivery quality Parcels in the Netherlands	99%	98%	(1)
Social value			
Share of engaged employees	84%	84%	0
Absenteeism (share of total working days)	5.9%	6.0%	+0.1
Recordable accidents (per 100 FTE)	4.0	4.7	18%
Share of females in management positions	28%	30%	+1
Share of females in senior management positions	28%	29%	+1
Environmental value			
CO ₂ efficiency (in grammes per km)	249	203	18%
Share of emission-free delivery of mail and parcels in the last-mile	20%	20%	0

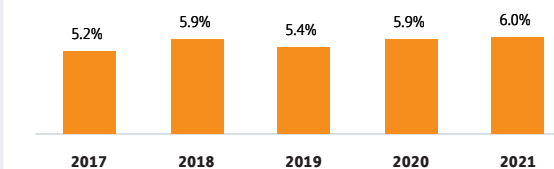
Share of highly satisfied customers

Average score



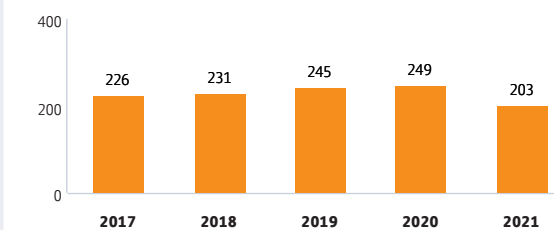
Absenteeism

% of total working days



CO₂ Efficiency

CO₂ efficiency in g/km



Share of satisfied customers

83% (2020: 83%) =



Employee engagement

84% (2020: 84%) =



Emission-free delivery

20% (2020: 20%) =



Message from Herna Verhagen



Introduction

We are again looking back at an exceptional year, impacted by the pandemic. Thanks to our people and the resilience of our business, we were able to produce strong operational and financial results in 2021. Our cash flow performance was very strong and exceeded our expectations, further strengthening our financial position.

Our ability to successfully execute our strategy gives us confidence about our longer-term business performance and the contribution we can make to society. We will continue to focus on the needs of our customers, providing opportunities for our people, and on value creation for all our stakeholders through growth, accelerating digitalisation, and our environmental and social initiatives.

Throughout 2021, we continued to connect the millions of senders and receivers that rely on us every day. At PostNL, we have always said, and continue to say, that ensuring the health and safety of our people, partners, retailers and consumers is our highest priority. I'm proud and happy to say that we have been able to carry out our work and deliver mail, parcels and logistics solutions continually throughout the pandemic. But we are not taking anything for granted and will continue to take all measures necessary to keep our people safe going forward, while doing everything we can to ensure our customers, the senders and receivers of mail and parcels, are happy with the level of service we provide.

Solid business performance

Even if our hope of returning to 'normal' did not materialise in 2021, our businesses were flexible and strong enough to handle and adapt to the exceptional circumstances we all faced. We benefited from strong parcel volume growth, as the pandemic further accelerated e-commerce. Our infrastructure and excellent peak-season preparations highlighted the robustness of our business model. In 2021, 61% of our revenue was generated from e-commerce-related activities, up from 57% in 2020, evidencing the success of the transformation of PostNL as a full-service logistics and e-commerce provider, built upon the core activities of collecting, sorting and delivering.

In 2021, we delivered a record 384 million parcels, of which an estimated 38 million were non-recurring and related to Covid-19. International volumes also increased significantly, aided by accelerated e-commerce, although they were

negatively impacted by VAT rule changes for small non-EU goods in the second half of the year, global supply chain issues and increasing transport costs.

Performance at Mail in the Netherlands was marked by a further decline in volumes due to substitution of 5%, which was almost offset by additional Covid-19 volumes and the recovery of direct mail volumes. In total, we delivered over 2 billion items of mail, of which 67 million items were related to Covid-19. As we expect substitution to continue, we will continue to implement cost-saving initiatives, such as adjustments to the sorting and delivery processes, streamlining of staff and centralising of locations, to counter the ongoing volume decline and adjust the organisation to match the lower volumes. These are vital and necessary steps to ensure an accessible, reliable and affordable postal service across the Netherlands for the long term.

Providing value to our customers

Working together with customers to understand their needs, and how we can improve our services to meet these needs, is essential as we realise our ambition to be everyone's favourite deliverer. Customers and consumers are demanding more proactive, timely, and reliable shipping and delivery information. They are expecting optimal customer journeys, new propositions and excellent service. We are working on making improvements across all these areas by simplifying and digitising our business customer and consumer journeys. Offering them solutions that fit their individual needs to provide them with distinctive experiences. This then strengthens our competitive edge. By utilising real-time, data-driven

decisioning across a fully smart and software-driven supply chain, we improve work towards a faster, more reliable and flexible delivery process. One example is the roll-out of our smart, fully-automated parcel lockers, which we began installing in 2021 and will gradually expand to 1,500 units across the Netherlands by 2024. This development, and many others like it, will help us increase our Net Promoter Score (NPS), which will be used as our key client satisfaction indicator from 2022.

With almost seven million unique PostNL accounts and 926 million unique visits to our website, 66% of which were through the PostNL app, we continued to grow customer interaction through digital channels, fully aligned with our digital customer strategy.

While we saw a decrease in the share of highly satisfied customers compared with 2020, when customer satisfaction rose across the board, the share of satisfied customers remained the same in 2021. Investments in digitalisation, combined with our focus on redesigning customer journeys, are helping us make continuous improvements in our commercial and operational core. We are confident that this will enable us to strengthen our relationship with both business customers and consumers, which should lead to higher NPS scores.

“ Distinctive customer experiences strengthen our competitive edge ”

Being a responsible employer

E-commerce growth and the transition of our mail business continued in 2021, impacting everyone who works for or with us. We aim to realise our people's full potential and are focused on helping our customers as a strong and reliable partner, while acting as a responsible employer. On average in 2021, we provided direct and indirect employment to more than 53,000 people. Our average employee engagement score in 2021 was 84%, which is in line with the benchmark figure in the Netherlands, but higher than levels seen across the logistics sector. As in 2020, we have strong indications that the 2021 results were positively influenced by our handling of the pandemic. While we evaluate the underlying scores in many different areas, the score was impacted by work pressure due to staff shortages in specific locations.

A topic that continues to appear in the media and the public arena is the working conditions for parcel deliverers. Over the years, we have operated a model in which parcels are delivered by a mix of people working for PostNL and a group of committed delivery partners, who employ smaller numbers of deliverers. This model is widely used in transport and logistics, as it is a successful way to address the flexibility needed to handle the volume peaks and troughs. It also means that the vast majority of the people delivering parcels for PostNL enjoy job security, with salaries covered by collective labour agreements.

Our approach emphasises the importance of offering people the confidence of safe working conditions, as well as certainty over income, working hours, insurance and pension. They are in most cases either employed directly by PostNL, or by one of our delivery partners. These Dutch and Belgian partners have grown with us over the years and have been able to enjoy a similar development path. Which is why a large majority of the companies working for us indicate that they are pleased or very pleased with the cooperation they have with us. On occasions there seems to be a gap between public perception

of parcel delivery labour practices and the reality. We are keen to close this gap, as we are proud of the growth of our Parcels business and how we have been able, together with our successful delivery partners, to service a fast-growing e-commerce industry in an entrepreneurial, socially responsible, and compliant manner over the past ten years.

Going forward, we are committed to staying transparent in our way of working, while continuing to abide by all relevant laws and regulations. And as e-commerce grows, changes and develops, we are focusing on further improvements in our way of working, aimed at securing sustainable, future-proof and compliant labour conditions for everyone working for and with us. And we will take measures that will allow our delivery partners to grow with us, while being able to make the necessary investments to work in a socially compliant and sustainable manner.

Our ambition: to be an emission-free last-mile delivery service provider by 2030

Creating a more sustainable delivery company means looking for new ways to cut emissions, increase efficiency, and develop green solutions. This is why we are working with our employees, our customer, and our partners to make the value chain more sustainable. To accelerate our progress, in 2021 we outlined how we are allocating around €80 million for sustainable investments towards 2024.

Although parcel volume growth continued in 2021, we are pleased to report that our increased efforts to cut carbon emissions across our operations paid off, as we met our targets for the year. Our carbon efficiency in grammes per kilometre improved by 18% compared with 2020. And while we made progress transitioning towards an electric fleet, we significantly scaled up the use of renewable fuels, particularly across large truck transport and parcel delivery.

On the back of our science-based climate targets, policies and strategies, we were pleased to see our efforts being recognised. In 2021, PostNL was again included in the leadership ranking of the Dow Jones Sustainability Index and we achieved an “A” score in the CDP benchmark, a global disclosure system. This is the best score a company can get, highlighting the continuing progress we are making. But we cannot rest on our laurels.

Our transition to low-carbon logistics means we are looking for new ways to cut emissions, increase efficiency and reduce the number of kilometres we drive. We are also reducing our environmental impact by ensuring our new buildings are energy-efficient and achieve the highest BREAAAM certifications, while making energy-efficiency improvements to existing buildings. Furthermore, we aim to increase our influence on carbon emissions from outsourced transport.

Throughout 2021, we have improved our data gathering and reporting processes to gain greater insights into the CO₂ emissions of outsourced transport. Using these insights, we have begun engaging, and will continue to engage with, our logistics partners to work on reducing their emissions. Ultimately, these combined actions and the efforts of our people in this area will help us achieve our goal of becoming an emission-free last-mile delivery service provider in the Benelux by 2030.

A strong position to create value for our shareholders

Our solid performance in 2021 helps us continue to build on our robust financial foundation and a very healthy balance sheet. I'm pleased to say that we are in a strong position to create value for our shareholders. First, by proposing a dividend of €0.42 per ordinary share for 2021, up from €0.28 in 2020, which represents a pay-out ratio of 75% of normalised comprehensive income.

Second, in line with our capital allocation framework, we are well positioned to launch a share buyback programme to further optimise our capital structure. The programme, with a value of around €250 million, will be executed in two tranches in 2022 and 2023 using cash on the balance sheet. It intends to neutralise the assumed dilutive impact from shares issued related to the dividends over the years 2021-23. In our capital allocation approach, we continue to have the financial strength to consider bolt-on acquisitions if and when we see opportunities that could create long-term strategic and financial value. We are steering for a solid balance sheet with positive consolidated equity, aiming at a leverage ratio not exceeding 2.0 and applying strict cash flow management.

Looking ahead to 2022 and beyond

We operate in dynamic markets, and developments within them lead to opportunities and threats. Alongside the fast-changing circumstances as a result of the pandemic, in 2021 we were increasingly faced with a number of macroeconomic and sector developments, which we assume will continue in 2022: high levels of inflation not seen for decades; global supply chain disruptions, such as the shortage of raw materials and the delays affecting cargo from the Far East; rising transport costs; the continuing impact of new EU VAT rules; and very tight labour markets. These global, macroeconomic developments can be expected to put some pressure on cost development, and this will be visible in our performance in 2022.

That said, our confidence in the successful execution of our strategy and our very solid financial foundation give us comfort when viewing our longer-term business performance and cash generation outlook. The step-up in e-commerce has led to increased volumes at Parcels and a higher growth rate. To accommodate this higher volume level, we are pushing ahead with the expansion of our capacity and network infrastructure. We also aim to accelerate progress towards achieving our

“ Our solid financial position benefits all our stakeholders ”

environmental targets, for example through the use of renewable fuels and the electrification of our fleet.

Meanwhile, we will continue to manage our Mail in the Netherlands business unit for value by operating one strong nationwide network with the aim of keeping mail accessible, reliable and affordable, while managing the ongoing volume decline. We are continuing to adapt our processes, for example by centralising preparation work at the sorting centres, and sorting more mail by machine. We will also improve quality at Mail in the Netherlands by simplifying our portfolio and through the further digitalisation of our services and products.

Our purpose remains the same: to deliver special moments. In a world in which everything and everyone is connected, we remain the indispensable link between senders and receivers, and the connection between the physical and the digital world. We continue to work hard on our ambition: to be the favourite deliverer for customers, consumers and across society.

Thank you

As I said at the beginning, 2021 was an exceptional year. Yet that is almost an understatement. A company can only be successful, especially in such challenging circumstances, if it has the confidence, trust, commitment and loyalty of its key stakeholders: customers, employees, partners, shareholders and the public at large. Alongside high customer satisfaction and employee engagement results, our reputation score with

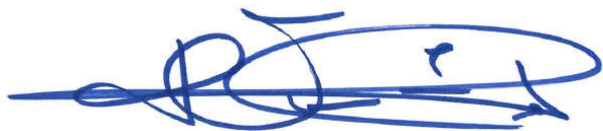
Message from Herna Verhagen

our stakeholders remains high. But we are fully aware that we cannot take it for granted. It has to be earned by doing better, every day. We know there is still a lot of work to be done. Living up to the expectations of customers and consumers means delivering high-quality service, day in and day out. It means being able to handle any mishaps or complaints quickly and satisfactorily. Finding the right balance between expected market developments and expanding capacity. Ensuring that our workforce is as diverse and inclusive as it can be, while providing a safe working environment for all. I already referred to the work that needs to be done to achieve our environmental ambition. And we remain very focused on creating sustainable value for our shareholders. In other words: our transformation continues and we have to move fast. I am grateful to have so many dedicated and talented colleagues, committed to doing their job as best they can. Together, we can do this.

A special word of thanks goes out to our fellow Executive Committee members Resi Becker and Marcel Krom, who, after more than 20 years working at PostNL, decided to leave to take on new responsibilities and fulfil new ambitions in 2022. They played key roles in the company's transformation and delivered major contributions to PostNL.

To everyone who contributed to our success in 2021: thank you very much.

Kind regards



Herna Verhagen, CEO



3

Our operating context

Our customers, consumers and partners in the value chain, our competitive position, and market developments all influence the way we do business. We engage with stakeholders, including shareholders, to determine the key material topics we focus on to create long-term value.

Position and role in the value chain

Through our broad range of delivery and related services, PostNL plays an important role in the logistic value chain, in, to and from the Benelux and beyond. In the future we will increasingly run an integrator model in parallel with our existing physical services, which will enable us to grow the range of services we offer our customers, while managing our e-commerce-related networks and those of our partners as one. Digitalisation will play a key role in this development.

Our broad range of products and services

PostNL is a full-service logistics and e-commerce provider, built upon core physical business activities: collecting, sorting and delivering. We help senders place orders through our own channels, such as the PostNL app or website, and consumers find the right delivery option when they order online. We also provide consumers with multiple delivery options, and ensure e-tailers can offer these options using our data-driven and algorithm-based digital services.

As the designated provider of the universal service obligation (USO) in the Netherlands, providing accessible and reliable postal services at affordable prices is the norm for PostNL.

Another key aspect of this is our retail network, which is becoming increasingly important to efficiently carry out our services and makes it easier for customers to collect and return

“ PostNL plays an important role in the logistic value chain ”

PostNL Our position in the value chain



parcels. It also involves expanding and strengthening our role along the value chain, such as through our Spring operations and by providing fulfilment services and @Home solutions. These activities are increasingly supported and complemented by our range of digital capabilities and services.

Our key partners

Main markets and customers

PostNL provides customers with services in, to and from the Benelux. We are the designated universal service provider in the Netherlands, and we are involved in the export and import of mail and parcels outside the Benelux through our Spring brand.

Main suppliers and purchase markets

The majority of supplier costs comprise transport-related services, followed by information and communication services, hiring and advice, human resources and properties and facilities. Suppliers can be located and also source from within or outside the Benelux. As ESG is a license to operate, we include several relevant criteria in our procurement practices on both environmental, social and governance-related topics.

Other partners

PostNL works to strengthen the logistic value chain and improve our competitive position, for example by innovating and collaborating with partners such as industry associations, public-private initiatives, trade unions and benchmarking institutes. We are also working with partners to help drive their business, by using our distinctive experience and innovative business models. Our company is shaped by the relationship we have with customers, partners, consumers, suppliers and society. The infographic visualises our position in the value chain and our connection with customers and consumers as we work to fulfil our ambition to be the favourite deliverer in the Benelux region.

Market developments and competition

The parcels, mail and international markets in which we operate are dynamic, and developments within them lead to both opportunities and threats for PostNL. The Covid-19 pandemic continued to impact the market in 2021, and will affect the global economy in general going forward.

It is also impacting the lives of our customers, consumers, partners and suppliers, and therefore our strategy. For example, the crisis has boosted the shift from offline to online purchasing among consumers, accelerating e-commerce growth.

Globally, the pandemic has created supply chain issues, which have led to both delays and significant increases in the transportation cost of goods. And in the Netherlands, the pandemic has contributed to a further tightening of the labour market and increases in absenteeism rates.

In response to these events, our first priority has been on ensuring the health and safety of our people. As well as a responsibility we have towards our people, this has also helped us provide uninterrupted services across our operations during the pandemic, something we are proud of.

We continue to proactively increase the adaptability of our organisation in order to take advantage of changing circumstances. Examples include increasing (flexibility in) our network capacity to stay ahead of e-commerce growth, creating new delivery options to satisfy customer and consumer demand, and using digital solutions for office staff allowing them to structurally and effectively work from home more often, now and in the future.

Market trends

- Geopolitical and economic events
- Regulatory themes
- Growth in e-commerce
- Consumer in control
- Acceleration of digital transformation
- Labour market
- Sustainable logistics

Geopolitical and economic events

For the majority of 2021 we operated in an environment dominated by the pandemic, with both a tightening and easing of Covid-19 restrictions imposed by the government. Our markets continued to be impacted by disruptions in global supply chains, for example with a reduction in the sourcing and production of raw materials and an increase in the cost of international transportation. We also faced delays in procuring vehicles and roll containers as a result of computer chip shortages. And a significant increase in freight costs from Asia to Europe influenced the volume of low-value e-commerce goods arriving from the Far East.

At the same time, we saw that politico-economic decisions by large countries are able to have a profound impact on local economies. One example is the increased volatility in energy prices that began in 2021. While in the summer, the Chinese government began clamping down on fake goods manufactured and exported out of the country, with the aim of preventing the goods from entering the global e-commerce market. This had an immediate impact on inbound e-commerce volumes from Asia. We follow global political and economic developments closely, which helps us prepare and respond swiftly to major events or decisions that could impact our value chains.

Regulatory themes

An increasingly connected world means that commercial markets are developing rapidly, driven by innovation and digitalisation. As well as creating business opportunities, such as through the use of data, these developments also represent risk. For example, in the need to protect the rights of people, for businesses to act responsibly, and the growing focus on sustainability.

To mitigate these risks, governments frequently introduce new laws and regulations that are becoming increasingly more complex. The main areas of high-impact regulations on PostNL's businesses include postal services in the Netherlands, labour, international trading, data protection and privacy, and environmental management.

New or adapted regulations influence the way we do business in the markets we operate in. One example is the new EU VAT rules, which saw all commercial goods imported into the EU become subject to VAT on 1 July 2021. This had an adverse impact on e-commerce volumes into Europe, particularly from Asia. Other examples include Brexit and changes to the Dutch postal law.

Our approach is to proactively engage with governments and other regulators on a regular basis to better understand the impact of upcoming regulatory changes. This helps us prepare effectively so that we can comply fully and in time.

We see compliance as an important mechanism to safeguard sound business conduct, protect the rights and well being of people and operate commercially within predefined boundaries. The chapter "Regulatory compliance management" provides a detailed overview on our approach toward compliance, a description of the main events and the most relevant developments in different laws and regulations.

Growth in e-commerce

In general, the e-commerce market continues to grow strongly, partially boosted by Covid-19. In the Benelux, the expansion in traditional e-commerce markets is ongoing, and relatively new markets, such as food and health, are developing rapidly. In 2021 we saw that our B2B volumes were negatively impacted by the pandemic.

Internationally, 2021 was a year of contrasts. Good growth across the board continued in the first half of the year, but the market faced a substantial drop in volumes in the second half of the year.

This drop was caused primarily by the new VAT rules introduced by the EU and regulatory changes in China (both outlined above) which heavily impacted inbound e-commerce volumes for the Far East.

These events, plus the shortage of raw materials and increased international transportation costs, had a double-digit impact on our international Spring activities in the second half of the year. It is uncertain when and to what extent volume growth from Asia will pick up again.

While the e-commerce market across Europe continues to grow strongly, Brexit had an impact on shipments to and from the United Kingdom. Despite this, Brexit led to Spring gaining a number of extra customers, offering customs' solutions for customers in Europe.

We believe our comprehensive networks, proximity to the consumer and coverage across the Benelux enable many developing sectors to grow online.

In response to the growing number of peak moments throughout the year, we continuously invest in our networks while increasing the flexibility of our operations.

Consumer in control

Consumers increasingly expect digital alternatives to traditional services, and want greater control over their shipments. Examples include the sale of stamps, rerouting of parcels and preparation of returns. In addition, they want to be notified about the shipment of their parcels quickly, conveniently and reliably. For PostNL, this means we need to focus continually on the consumer experience and consumer journey, ensuring that we offer a full range of high-quality services that meet the evolving demands of the e-commerce marketplace.

Acceleration of digital transformation

Rapid developments in technology impact the way businesses operate. Current and future trends that will impact our sector include the use of data, which will help logistics companies manage demand peaks, provide insights into supply and demand forecasts, and help with route optimisation. Digitalisation will also lead to smoother ordering, automatic fulfilment services, and better payment and delivery processes, creating a more efficient supply chain. And a range of digital alternatives for mail, such as electronic invoicing, social media or other digital marketing services, continue to contribute to a declining mail market.

The digitalisation shift requires logistic service providers to operate faster and more efficiently to rapidly process all individual orders. With parts of logistic processes still being operated manually, the potential for automation and digitalisation is high. As the technology becomes faster, more accurate and more affordable, automation will play an even greater role in our industry in the years to come. Robotisation will boost logistics and productivity while supporting 24-hour processes. Robots will adopt complementary roles in the value chain, assisting workers with planning, fulfilment and last-mile deliveries. This will have more impact on mail than parcels.

Labour market

In general, the labour market in the Netherlands is extremely tight, illustrated by very low unemployment rates and a record number of open vacancies. Covid-19 continues to contribute to increasing volatility in the market, for example as a result of government measures and higher absenteeism rates. This leads to profound challenges for many companies, including PostNL, to hire sufficient numbers of qualified people both in operations and for office functions. For PostNL, this is especially true when it comes to filling mail delivery positions.

Our focus is on first creating a safe and healthy work environment, enabling us to deliver high-quality services responsibly and effectively. This is followed by effective recruitment and onboarding, while continually looking for ways to improve our labour practices, particularly in the area of social laws and regulatory compliance. At the same time, effective collaboration with our logistics partners is crucial for our success. Based on changes in societal expectations, our drive to improve our service quality and customer experience, as well as sustainable development, we are enhancing our labour model with our logistics partners to make it future proof. One aspect of this is ensuring that the labour model we develop with them complies at all times with labour laws and regulations, the desired customer experience, our sustainability goals, as well as societal expectations.

“Rapid developments in technology impact business operations”

Sustainable logistics

Sustainability is playing a key role in the way society is changing and the way companies operate. Many are increasingly focusing on the longer-term impact of their businesses. PostNL is no different. We take our responsibilities seriously and believe that sustainability is our license to operate. We want to, and stakeholders expect us to, operate a company with sustainability at its core, making progress on a range of environmental, social and governance topics. This includes the growing concern about climate change, increased attention for human rights, greater focus on diversity and inclusion, as well as being more transparent about how we conduct business responsibly. Sustainability is about responsible business. It is also a driver for business model innovation, for example by transitioning towards emission-free last-mile delivery, and enhancing our employment models.

Competitive landscape Increased competition in e-commerce

The acceleration of e-commerce makes the market interesting for existing and, in particular, new players. The rise in flash delivery is one example of how the market is changing. Meanwhile, large e-commerce players made investments in their Benelux networks, while new delivery players and others were particularly active in developing niche services and expanding self-delivery and their retail locations. Large e-commerce players are also spreading their volumes through dual or multi-vendorship models. Going forward, we want to maintain our market-leading position in the Netherlands in the B2C segment by enhancing the customer experience through digital innovations, our sustainability profile, competitive pricing to stay ahead of challengers, investing in and expanding our network, and focusing on further improving quality and the Net Promoter Score (NPS).

Developments in relation to the Dutch mail market

Competition in the Dutch postal market focuses on three elements. A few postal operators have built a position in niche segments by combining mail volumes into large consignments and handing these to PostNL. Additionally, we see a large number of small, locally-active postal operators connected to sheltered workspaces offering postal services in their local areas; mail destined for outside these areas is handed to PostNL. We work together with these sheltered workspaces where possible, also in the delivery of our mail. There are also now a range of digital alternatives for mail, such as electronic invoicing, social media or other digital marketing services, which continue to contribute to declining mail-market volumes

International

The steep growth of international e-commerce, particularly in the first-half of 2021, and the growing impact of digitalisation, is changing the logistics market rapidly, leading to a variety of opportunities. This also means that the international arena is also becoming more competitive. Traditional players are seeking to strengthen their position, while different types of start-ups, for example those focussing on value-chain orchestration, end-to-end logistics or digital support, are entering the market. Large e-commerce and/or platform businesses are also expanding their geographical coverage and role in the logistics value chain, selecting the best logistic partnerships or, if needed, setting up their own logistics networks. At the same time, regulatory changes, such as the introduction of the new VAT rules, can significantly impact international e-commerce, as we saw in the second half of 2021. With the trade lane from Asia to Europe forming a substantial element in the business model of Spring, we may be more vulnerable than our competitors to the effects of such events. In other areas, such as expanding our logistical network in Europe, our flexible and customer-focused approach enables us to respond quickly to, and profit from, market dynamics.

Stakeholder engagement and materiality

As a listed company with a long and proud history in the Netherlands, we have an intricate stakeholder landscape. We engage with our stakeholders in different ways, on different levels and on different topics to better understand their interests and the way our activities affect their decision-making process. This helps us understand which topics are most material, and are of greatest significance to stakeholders, so that we can prioritise these in our Materiality matrix. Our main stakeholder groups, and the main topics of engagement, are summarised below. More information about our stakeholder engagement can be found in the 'Non-financial statements'

Materiality

PostNL considers all discussion topics with stakeholders relevant. Disclosures in our Annual Report are based on those deemed most material. To identify what is a key material topic, we first carry out a materiality analysis to prioritise the topics we have identified, and then rank them based on two dimensions.

- Dimension one: what is most important to our stakeholders, influencing their assessments and decisions. This is the vertical axis.
- Dimension two: the significance of the societal impact of PostNL with the topic. This is the horizontal axis.

All topics in the Materiality matrix lead to direct or indirect financial impact. We categorised all topics in five domains based on the primary impact domain. The domains relate to different sections in the Business Report and Governance section of this report. The categorisation in the five domains is presented in the Materiality matrix. Topics ranked in the upper right-hand section of the Materiality matrix represent the key material topics for the company.

PostNL Materiality matrix



These eight topics best reflect where PostNL creates long-term value. All other topics in the matrix remain important and often contribute to the value created with our key material topics. In order to positively contribute to the material topics of our stakeholders, while optimising our impact on society, we use the key material topics as input for our value creation model.

Key material topics explained

Having evaluated our operating context and looked at how we create value for society, including shareholders and other stakeholders, we defined eight key material topics for 2021. For each key material topic we developed performance indicators to measure progress on the outcomes of our value creation model.

PostNL Key material topics

Key material topic	Description
Customer experience	The experience we bring to customers and consumers through our services and way of working in order to capture e-commerce growth, keep mail relevant and strengthen our reputation. This includes customer interaction, enhancing and innovating our business based on customer needs, establishing partnerships along our value chain and delivering high-quality, smart logistic solutions.
Financial performance and position	Investors and other providers of capital evaluate the financial performance and position in their investment decisions. Generating a sustainable financial performance and a healthy financial position creates value for investors and for PostNL. It contributes to the economic value of our company and enables us to create room for investments in the development and growth of our business.
Engaged people	Motivated people, working with and for PostNL, are key to carrying out our activities to deliver the customer experience we aim for. The engagement of our people is influenced by our labour and working practices, our collaboration with logistics partners, such as delivery partners, as well as communication and dialogue to obtain feedback as input for improvements.
Digitalisation and data	Strengthen our current and future business model through the digitalisation of our processes and service offerings, in combination with data-driven decision making and providing insights for customers. This will drive enhanced operational effectiveness and innovation to our business model. At the same time, protecting data and privacy of our company, our people and our customers.
Health and safety	Provide a safe and healthy work environment for our people, physically and mentally. Respond appropriately to changing government policies in relation to the Covid-19 pandemic. Being an employer for all, focusing on diversity and inclusion, and providing equal opportunities.
Climate change	Mitigation: Reducing CO ₂ emissions both in our own operations and outsourced activities. Fleet transition toward emission-free logistics. Using renewable fuels as transitional fuel. Sustainable buildings and facilities and collaborate with customers on green products and services. Adaptation: Identify and limit potential risks for our business and value chain partners as a result of acute or chronic extreme weather events.
Accessible and reliable postal services	Keeping mail relevant by ensuring connection between senders and receivers every day in every street in the Netherlands; protecting our position as the designated provider under the USO and providing employment for our many employees. This includes availability of PostNL locations across the Netherlands, good labour practices and reliability of our services.
E-commerce growth	Contribution to and profiting from the growth of the online business. This relates to the expansion of current markets, including managing network capacity, and contributing to the development and growth of new online markets and customers, for example in relation to online platforms and the health sector.



Making impact together

At PostNL, we believe that sharing ideas and working together helps us become smarter, faster and better able to create a more lasting impact on society and the environment. This is why each year we engage a broad group of stakeholders in an open dialogue, using the insights we gather to further shape our policies and accelerate our plans and programmes.

In 2021, our stakeholder dialogue focused on three themes: Human Rights, Climate Adaptation and Diversity & Inclusion. In a series of interactive roundtable sessions, we discussed our approach to the themes, and how we can work with stakeholders to address them, and the impact they have on PostNL and our value chain. We also surveyed a large group of stakeholders on the importance they place on the themes in relation to PostNL.

SDG's





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How we create value

Our value creation model illustrates our process of achieving long-term value for our customers and investors, our people, society and the company by providing e-commerce logistics and postal services. We use our key material topics as input to connect our long-term impact with the UN Sustainable Development Goals.

PostNL Our value creation model



Key material topics

Using relevant in- and output capital

PostNL makes use of valuable resources as input for the business model, while the model also generates valuable outputs for the company and our stakeholders. The capital categories are aligned with the International Integrated Reporting Framework of the IIRC¹. All capitals are interrelated and business activities often require the use of a mix of capital. We aim to allocate our resources based on these capitals effectively by maximising their potential value and minimising their negative impacts as part of our continuous drive to improve.

Relationship capital

We have deep roots in society, and through our operations connect with millions of stakeholders on a daily basis. The relationship we have with our stakeholders, especially consumers and customers, our investors, our employees, partners, governments and trade unions, influence our ability to create value over time. We strive to build strong relationships by engaging on relevant topics and collaboration based on stakeholder needs.

Technological and produced capital

The assets that drive digitalisation, the use of data, automation and robotisation, are our technological capital. They play an increasingly important role in our business, for example the process and information-related technologies that we use to improve the value of our business activities. Produced capital are those goods and assets that enable us to carry out our role as a logistics and postal service provider, such as vehicles, buildings and machinery. We select these goods and assets based on our specific needs and available sustainable options.

Human and intellectual capital

PostNL is a people company. Our people execute our strategy and ensure the delivery of our services. This includes our own employees and people working for us through collaboration with logistics partners. By operating and developing an inclusive organisation, we aim to help our people to grow, while providing favourable labour conditions, including a safe and healthy work environment. The collective knowledge and experience of PostNL, our intellectual capital, has been built over the course of more than two centuries and is one of our greatest assets. As a logistics expert we have created state-of-the-art networks, smart processes and created management systems that have enabled us to become a front runner in our rapidly changing markets. These are continually refined to help PostNL deliver high-quality services, optimise our operations and develop new value-added operations. As part of our digital transformation, we are investing in the digital DNA and expertise of our people.

Natural capital

Natural capital is the energy we use to provide our services. We use solar energy to generate electricity and natural gas to operate our buildings. For our vehicles, we use a mix of fossil and renewable fossil fuels. Fossil fuels produce greenhouse gases (GHG) and air-polluting emissions that contribute to climate change and impact air quality.

Financial capital

Shareholders and other relevant players in financial markets, such as bondholders and banks, provide PostNL with funds used to invest in our assets and operations. We use this financial capital to operate and grow our business, thereby creating long-term value for us and our stakeholders, for example through dividend and/or a share buyback programme.

Our business model

We are executing our strategy to be the leading e-commerce logistics and postal service provider in, to and from the Benelux. To realise this, we are concentrating on working towards our strategic objectives in five different domains of value creation for our stakeholders:

- Customer: Help customers grow their business;
- Customer: Secure a sustainable mail business;
- Social: Attract and retain motivated people;
- Environmental: Improve our environmental impact;
- Financial: Generate profitable growth and sustainable cash flow.

We have identified relevant focus areas for each objective, which help us execute our strategy. And we use several company-wide programmes to strengthen our strategy execution and stimulate collaboration between business units. These programmes are:

- Digital Next, to accelerate our digital transformation
- Orange Compass, to steer our culture and behaviour
- Zero 2030, to direct our environmental progress
- Financial & Capital Management, to ensure a strong balance sheet and financial position.

We link our strategy to our key material topics, which help ensure we focus on creating relevant value for our stakeholders. Resource allocation, based on required input capital, plays an essential role in our strategic decision-making.

¹ International Integrated Reporting Council

Business activities

Our business model is developed to maximise the value we create for customers through three essential logistic activities: collect, sort and deliver. Over time, we have built dense networks and state-of-the-art processes throughout the Benelux and beyond, while divesting non-core activities. As we operate in a dynamic marketplace we are continuously enhancing our business model to adapt to market developments, and collaborate with customers on implementing new, increasingly digital, solutions. We have successfully transformed from a business dominated by mail, to a full-service e-commerce logistics and postal provider. The acceleration of digitalisation helps us transform the way we do business and enhance our business model to improve our competitive position. Delivering smart and reliable logistics solutions, innovating our business model and further advancing customer interaction enables us to further improve the customer experience. Our committed people play a crucial role in fulfilling, and where possible exceeding, the promises we make to customers.

Parcels

Our Parcels solutions range from delivering standard parcels to more tailored solutions, such as health logistics, and from time-critical delivery to installation services. E-commerce is shaping the future of retail, and we help drive this vital sector through IT, network and infrastructure investments, such as processing the growing number of small parcels. At the same time, our digital platforms enable us to offer e-tailers and consumers greater control over sending and delivery. Together, these factors enable us to focus on optimising our revenues while creating greater customer value through better insights. Within logistics, we have chosen to develop a leading position in the health and home & garden sectors while broadening and strengthening the e-commerce logistics chain, such as by helping e-tailers come online by supplying fulfilment solutions, and offering time-critical services. We provide customers with international delivery solutions through Spring as it transitions

towards becoming a provider of global e-commerce solutions. Spring is continuing to provide customers with more options in logistics solutions.

Mail in the Netherlands

We continue to see the importance of mail as a communication means, which acts as a vital communication element in society. This has been seen throughout the Covid-19 pandemic, as people connected by sending cards and letters. In addition, there were Covid-19-related mailings, as part of the Dutch government's drive to tackle the pandemic, such as invitations for the vaccination programme. As the designated provider of the universal service obligation (USO) in the Netherlands, our job is to maintain country-wide mail coverage. We achieve this by providing accessible, reliable and affordable postal services, with specific delivery quality targets, while also providing employment for many thousands across the country. We also maintain a successful collaboration with sheltered workshops, offering work to around 1,725 people with a distance to the labour market. We are innovating for those customers and consumers that use physical mail, for example by investing strongly in automation to help us increase delivery quality and efficiency. We are also investing in the digitalisation of both our network processes and customer journeys, to continue to improve our business model while realising necessary cost savings.

Governance

Pursuing opportunities and managing risks are essential in order to be in control of our strategic progress. Our executive committee, board of management, and supervisory board form our formal governance structure. Line management, risk management and internal control, internal audit and the audit committee, support our governance bodies in overseeing the organisation. This enables us to safeguard our strategy execution, compliance and external reporting, and identify and manage areas for improvement in our business model.



PostNL returns 'home'

In 2021, PostNL moved its head office to the former station post building in The Hague, where until 1997 mail trains were loaded and unloaded. Nikaj van Hermon was involved in the make-over of the building. "When it was completed in 1949, the building was basically a sorting centre. Before we could return 'home', we had to transform it into an office building. We wanted an office that supported interaction and collaboration. Another challenge was to make the building more sustainable and create a 'healthy' work environment. Fortunately, the huge sorting halls allowed us to create an atrium, with natural light flowing in from the skylights that we reinstated. We made interior gardens, used recyclable materials and much more. I am really proud that we have been able to keep the character of this national monument despite the metamorphosis it underwent. We gave it a second life and transformed it into a sustainable, inspiring, welcoming working environment that invites us to collaborate and come together." For more information: postnl.nl/stationspostgebouw

SDG's



Impact on sustainable development

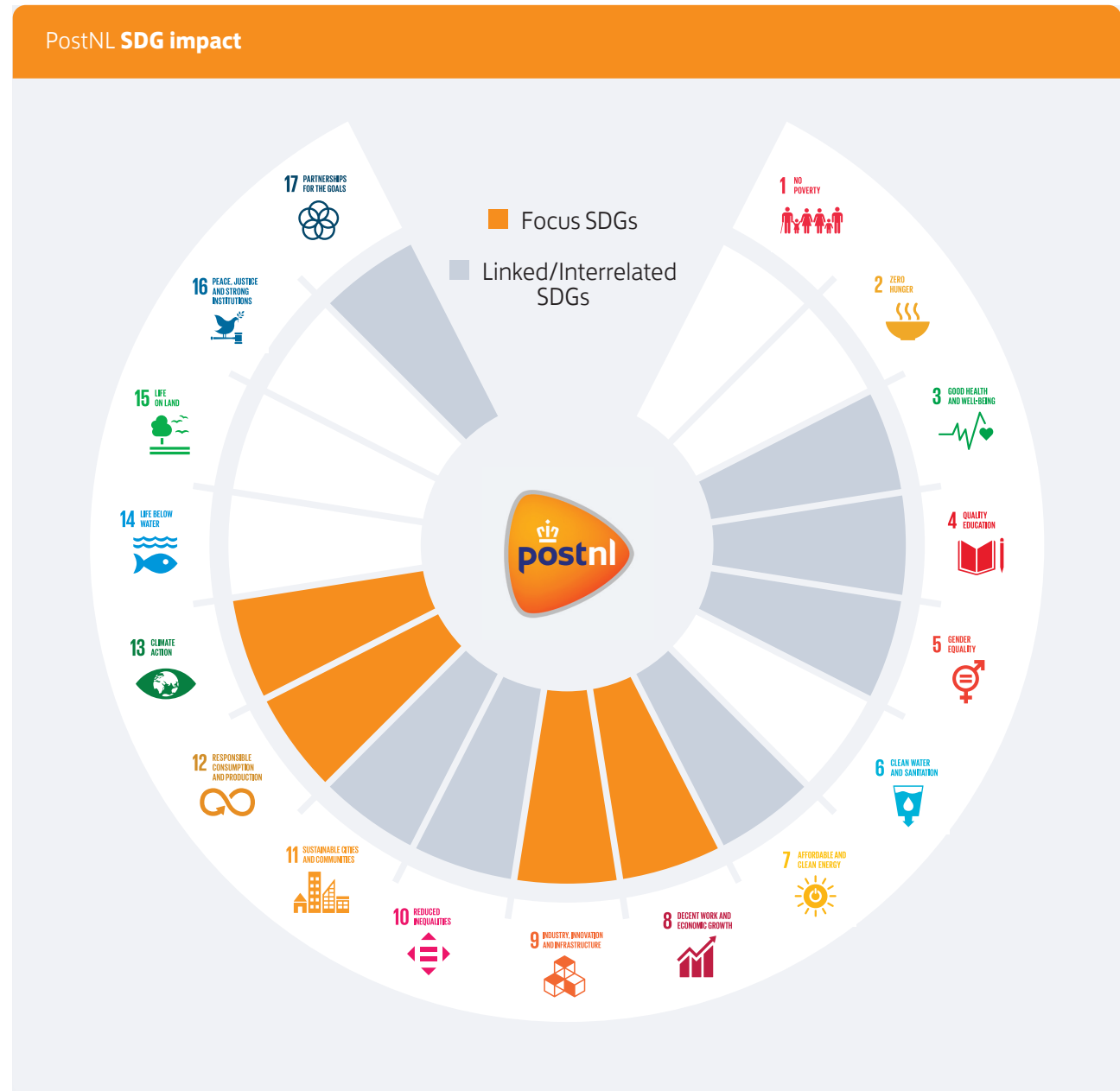
As a large company, we are responsible for the various ways we create an impact across society, in the Benelux and beyond. Alongside the execution of our strategy, we also need to look at the value we create over the longer term and on a broader range of societal topics. We have based the output and outcomes of our value creation model on our key material topics and linked these to the longer-term impact on the UN's Sustainable development goals (SDGs).








Our focus

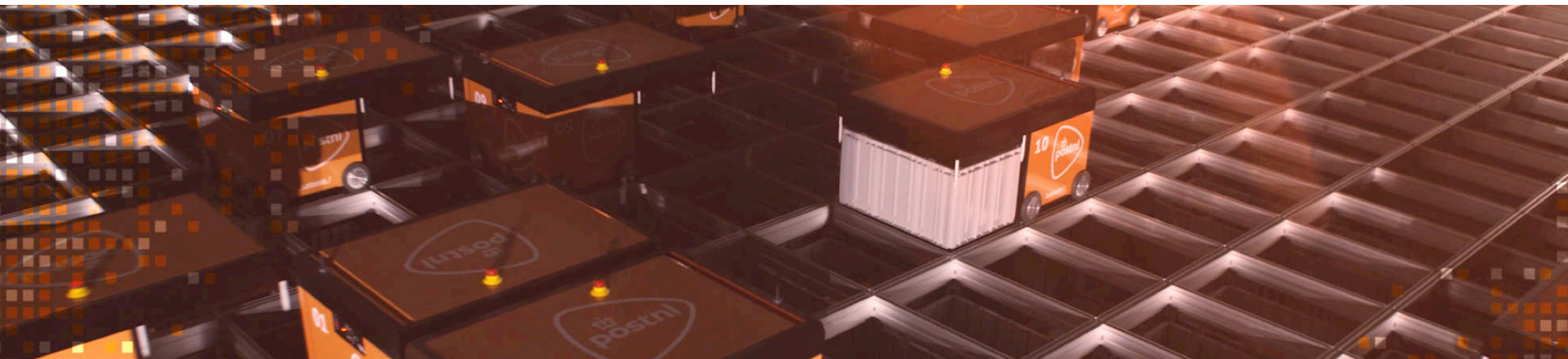
We have identified four focus SDGs that our business activities have the greatest impact on. From our own operations, decent work and economic growth (SDG 8) is our most relevant SDG, followed by climate action (SDG 13). Through collaboration along our value chain, we focus on making progress on industry, innovation and infrastructure (SDG 9) and responsible consumption and production (SDG 12). To progress on sustainable development and improve the impact we have on society, we are focusing on implementing new initiatives. And because all SDGs are interrelated, the actions we take to make headway with our four focus SDGs impact all other SDGs.

How we are making progress

We have developed our approach towards our focus SDGs and identified relevant interrelations between other SDGs based on specific SDG sub targets as defined by the United Nations (UN). We have mapped the material topics to the focus SDGs and the contribution they make to the linked SDGs, as seen in the table below.



Connecting material topic to focus SDGs and interrelations with other SDGs					
Topic	Focus SDG – sub target	SDG	Linked SDG – sub target	SDG	Doing good / avoiding harm
Health and safety	Labour rights, safe and secure work environment for all, equal pay – 8.8		Road traffic accidents – 3.6		Avoiding harm
Diversity and inclusion	Labour rights, safe and secure work environment for all, equal pay – 8.8		Promote inclusion of all – 10.2		Doing good
Labour practices	Full and productive employment for all – 8.5		Quality education – 4.3, 4.5		Doing good
Labour practices	Full and productive employment for all – 8.5		Gender equality – 5.5		Avoiding harm
Financial performance and position	Contribute to economic growth – 8.1		Upgrade infrastructure and retrofit business model to make it sustainable – 9.4		Doing good
E-commerce ecosystems	Higher levels of economic productivity – 8.2		Enhance scientific research and upgrade technological capabilities – 9.5		Doing good
Accessible and reliable postal services and e-commerce growth	Upgrade infrastructure and retrofit business model to make it sustainable – 9.4		Contribute to economic growth – 8.1		Doing good
Energy efficiency (e.g. solar panels)	Upgrade infrastructure and retrofit business model to make it sustainable – 9.4		Increase the share of renewable energy – 7.2		Avoiding harm
Sustainable city logistics	Upgrade infrastructure and retrofit business model to make it sustainable – 9.4		Access to safe, affordable, accessible and sustainable transport systems for all – 11.2		Avoiding harm
Pollution to air, land and water	Management of chemicals and all wastes throughout their life cycle including reducing waste to land, air and water – 12.4		Reduce death and illness from pollution to air, land and water – 3.9		Avoiding harm
Circular economy	Management of chemicals and all wastes throughout their life cycle including reducing waste to land, air and water – 12.4		Reduce adverse impact on air quality; waste management – 11.6		Avoiding harm
Climate change	Implement climate change measures in strategy and planning – 13.2		Enhance international cooperation on and access to technology and innovation – 17.6		Avoiding harm



Integrated value creation with our small parcel sorting centre (SPSC)

Following a thorough preparation and testing process, in October we opened an innovative new parcel sorting centre, the SPSC. This state-of-the-art facility enables us to substantially increase our sorting capacity and processing efficiency, and is a prime example of how we are integrating value across all four domains.

Creating value for customers

Located in Nieuwegein, the Netherlands, the SPSC is a highly robotised parcel sorting centre. It is designed to process parcels up to the size of a large shoe box. This enables us to sort small packages 24/7, delivering customers' parcels even faster and more efficiently than before. Small parcels are a fast-growing part of the e-commerce business, partly due to the need to remove air from parcels. The capacity of the SPSC is equal to five traditional sorting centres and is a significant expansion of the capacity of our network.

Improving sustainability

Research shows that on average 30% of the content of a package consists of air. In 2021, our fulfilment centre in Houten worked with teams from across the company to implement algorithms designed to optimise packaging, further reducing air and providing customers with better packaging options.

We advise and incentivise customers to use custom-designed boxes to perfectly fit the size of goods. Reducing the amount of air in parcels leads to more efficient transport and helps lower our CO₂ emissions. Smaller parcels also means less packaging material which results in less waste.

We have set up two webshops dedicated to packaging, one for PostNL customers and one for other e-tailers.

Benefiting our people

We are increasingly using data, digitalisation and robotisation to improve our processes, and the SPSC is equipped with an array of innovative tools and technologies that support our people. The centre has 175 robots that transport the parcels internally, while robotic arms lift and bag the parcels. This makes the sorting process easier for depot workers and van loading easier for deliverers.

Financially beneficial

Processing small parcels separately enables us to create more capacity at our other 26 parcel sorting centres, which helps us further grow e-commerce and operate more efficiently. The SPSC is part of our strong focus on capital allocation. This enables us to grow the business, become more flexible, adapt ourselves to extreme peak volumes and better manage costs, contributing to our financial health.

SDG's





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Our strategy

We want to be the leading logistics and postal service provider in, to and from the Benelux. We have defined strategic objectives aimed at creating value for customers, our people, the environment, and our investors. Executing our strategy will contribute to achieving our ambition to be your favourite deliverer.

Introduction

Our purpose is to deliver special moments. In a world in which everything and everyone is connected we remain the indispensable link between senders and receivers, and the connection between the physical and the digital world. We continue to work hard on our ambition: to be the favourite deliverer for customers, consumers and across society.

Realising our ambition means focusing on the desired customer experience in everything we do. Our culture and behaviour form the basis of how we do business, starting with leadership to provide adequate tools and engage with people to develop PostNL and themselves. It requires the right work environment for people to carry out their duties effectively, stimulating the desired employee behaviour which, together with the quality of our services, impacts the customer experience.

Our company-wide Orange Compass programme helps us steer our organisation in the way we want to do business. This contributes to achieving our strategy to be the leading e-commerce logistics and postal service provider in, to and from the Benelux. It also requires significant investments in our network, accelerating digitalisation, and furthering sustainability across the company. These investments are vital if we are to achieve our financial goals, and strengthen our balance sheet, fund acquisitions, improve our cash position and maximise total shareholder return.

We have identified three strategic pillars that form the foundation for realising our strategic objectives.

Manage Parcels for growth

With a state-of-the-art network that offers customers the highest quality service across the Benelux, we are ideally positioned to capture further e-commerce growth. To safeguard profitable growth we actively steer on balancing volumes and value. Our focus is on further enhancing customer interaction and delivering smart logistic solutions, while managing our network capacity and utilisation of infrastructure. Together, these enable us to enhance customer value while continuing to make efficiency improvements and increase capacity.

Manage Mail in the Netherlands for value

In the Netherlands, we offer senders and receivers a strong nationwide postal network. We focus on reinforcing the value of mail and enhancing the customer experience, and as the designated provider of the universal service obligation (USO) in the Netherlands we work to provide accessible, reliable and affordable postal services. We will manage the expected volume decline through moderate pricing and by making adjustments to the organisation and our processes, enabling us to deliver stable and predictable normalised EBIT and cash flow.

Accelerate digitalisation

Digital transformation across our sector is picking up speed rapidly, and this is increasing customer expectations. For PostNL, it creates a range of opportunities to optimise our operations and re-invent our business model. We want to become the most innovative and efficient e-commerce logistics and postal platform in our markets, by being a data-driven company and offering seamless integration to customers, consumers and operators. By running an integrator model in parallel with our existing physical services, we will be able to grow the range of services we offer our customers, while managing our e-commerce-related networks and those of our partners as one. Achieving this will enable us to deliver unique customer experiences and will help us realise our

ambition to be the favourite deliverer for customers, consumers and across society. At the same time, the transformation will generate financial benefits, for example through commercial effectiveness and cost efficiencies. Our ambitious plan to accelerate our digital transformation consists of six building blocks. We are focusing on transforming our core commercial engine, transforming our logistics and operations, and scaling up our platform and digital business models. To support these transformations, we are strengthening our data and IT foundation while driving our digital DNA across the company. More information on these building blocks can be found in a section on Digital Next at the end of chapter 'Customer value'.

Allocation of financial capital

PostNL applies a structured approach towards the allocation of financial capital, based on the following four steps, in order of priority:

- a. Investments in our business
- b. Accelerate digital transformation
- c. Dividend
- d. Mergers and acquisitions

In our rapidly changing environment, it is crucial that we invest in our business and digital transformation to strengthen our competitive position. To help us execute our strategy, in 2021 we announced €450 million of additional investments in our network, for example in capacity and infrastructure, automated parcel lockers, and sustainability. This will result in a cumulative investment of € 950 million for the 2022 - 2024 period. As part of our digital transformation, we are planning to invest around €80 million until 2024, of which we realised around €18 million in 2021. The remaining capital will be used to pay a shareholder dividend, and invest in mergers and acquisitions to strengthen our portfolio. Excess cash is spent to compensate for dilution due to stock dividend and/or share buyback, or optimisation of balance sheet and/or debt reduction.

Strategic overview

To become the leading e-commerce logistics and postal service provider in, to and from the Benelux, we steer actively on achieving our strategic objectives, which we implement through our business units. For example, we aim to strengthen our competitive position by further connecting customers and consumers through simple and smart digital journeys, and we have initiated customer journey assessments to improve customer satisfaction.

The focus areas help us to translate our objectives into practical steps and action plans through which we evaluate our progress. We support our business units with this strategy execution through a range of company-wide strategic programmes, which help stimulate collaboration between the business units in areas that overlap, facilitating teamwork and driving efficiency.

“ We have company wide programmes focused on digital transformation, culture and behaviour, sustainable logistics and financial and capital management ”

The company-wide strategic programmes are:

- Digital Next: Accelerate digital transformation, leading to a distinctive customer experience
- Orange compass: Implement customer-oriented behaviour throughout the company
- Zero 2030: Improve our reputation as a sustainable logistics company
- Financial & Capital programme: Facilitate cooperation between business units and the group on managing dependencies

This section provides an overview of how we connect our strategic foundation to our objectives, our focus areas and our outcomes, as well as the link to our key material topics and supporting company-wide programmes.

Seizing opportunities is an integral part of our strategy and execution, and examples of how we did this in 2021 can be found in the 'Customer value', 'Social value', 'Environmental value' and 'Financial value' chapters later in the report.

In the 'Risk and opportunity management' chapter we outline how we manage risk and opportunity, as well as summarising our main risks and opportunities in specific areas and our mitigation approach.



PostNL joins Econnections

PostNL has joined the sustainable innovation programme for the e-commerce sector, together with programme partners bol.com, Deloitte and Google Cloud. The programme supports fledgling innovative companies to develop and scale up sustainable online shopping solutions. Nienke Nijhuis, programme manager at PostNL, is hopeful this programme will help us improve the sustainability of the entire sector. “E-commerce keeps on growing, and along with it so do emissions. Econnections is aimed at companies that work on sustainable solutions for producers, retailers, deliverers and the consumer. One of the things PostNL is looking at improving is the returns process. For example, by re-using packaging materials for return products.

We will start looking for companies that we can support in their work from March 2022. In future phase, their ideas will be transformed into pilots. As a programme partner, we can offer help in the shape of our expertise, resources, investment and our network of customers and suppliers. I'm looking forward to a lot of innovative ideas!”

SDG's




PostNL Our Strategy

Strategic foundation



Parcels: Manage for Growth



Mail: Manage for Value



Accelerate Digitalisation

Strategic objectives

Customer value

Help customers grow their business

Secure a sustainable mail business



Social value

Attract and retain motivated people



Environmental

Improve environmental impact



Financial value

Generate profitable growth and sustainable cash flow



Focus areas

- Capture e-commerce growth
- Market the value of physical mail
- Manage network capacity
- Deliver smart logistic solutions
- Enhance customer interaction
- Lead through business model innovations

- Keep mail accessible, reliable and affordable
- Adapt MailNL organisation to market developments

- Attraction and retention
- Diversity and inclusion
- Labour practices
- Health and safety
- Fit for the future

- Network efficiency
- Clean kilometres
- Sustainable buildings and facilities
- Green products and services

- Solid cash flow and capital management
- Smart yield management
- Operational excellence
- Continuous focus on cost savings within MailNL

Key performance indicator

- Customer satisfaction
- Parcel volume growth
- Delivery quality Parcels

- Delivery quality MailNL

- Employee engagement
- Absenteeism

- CO₂ efficiency
- Emission-free delivery

- Revenue
- Normalised EBIT
- Free cash flow
- Adjusted net debt
- Dividend per share

Customer value: Help customers grow their business and secure a sustainable mail business

Key material topics

- Customer experience
- E-commerce growth
- Accessible and reliable postal services
- Digitalisation and data



Supporting company-wide programmes

- Digital Next – Supporting all initiatives to enhance customer experience and accelerate our digital transformation
- Orange compass – Guiding the company continuously to put the customer experience first
- Zero 2030 – Improving our reputation as a sustainable logistics company

Focus Areas

Help customers grow their business

Enhance customer interaction

Apply an integrated approach towards customer interaction. Keep it simple and convenient for customers to do business with PostNL.

Capture e-commerce growth

Provide customers with high-quality, value-adding services that ensure we capture our share of the growing e-commerce market, while helping bring new markets online.

Market the value of physical mail

Promote and facilitate the power of physical mail as an effective communication channel for customers and provide customers and consumers.

Manage network capacity

Adapt the capacity of our networks to business developments, create flexibility in our networks, including synergies, to effectively respond to volume peaks and drops.

Delivering smart logistic solutions

Enhance our logistical services based on customer needs and develop innovative solutions to help customers grow.

Lead through business model innovations

Innovate our business model to create new value propositions that adapt to market dynamics and customer needs.

Secure a sustainable mail business

Keep mail accessible, reliable and affordable

Fulfill the USO requirements including service delivery, country-wide coverage, quality, and adapt our organisation to market decline for cost efficiency.

Adapt MailNL organisation to market developments

Respond to expected volume decline by several cost saving initiatives related to adjusting our operational processes, centralising locations and streamlining our workforce.



Key performance indicators

Share of highly satisfied customers

2020	2021	Target '21
37%	34%	37%

Share of satisfied customers

2020	2021
83%	83%

Parcel volume growth

2020	2021
19%	14%

Delivery quality Parcels NL

2020	2021	Target '21
99%	98%	98%

Delivery quality Mail NL

2020	2021	Target '21
94%	94%	95%

Social value: Attract and retain motivated people

Key material topics

- Engaged people
- Health and safety
- Digitalisation and data



Supporting company-wide programmes

- Digital Next – Driving the digital DNA in the company
- Orange compass – Implementing customer-oriented employee behaviour, working environment and leadership

Focus Areas

Attract and retain motivated people

Attraction and retention

Manage our workforce composition through capacity planning based on business needs, focusing on both the people working with and for PostNL. Ensure optimal recruitment, onboarding to fill vacancies and manage employee turnover.

Diversity and inclusion

Be an employer for all, focusing on diversity and inclusion. Providing equal opportunities irrespective of background, gender, belief or sexual preference of our people and stimulate employment of people with a distance to the labour market.

Labour practices

Be a good employer by offering favourable work and labour conditions. This includes sound collective labour agreements, fair compensation, equal pay, facilitating personal development, stimulating collaboration and make improvements based on feedback.

Health and safety

Provide a safe place to work for everyone working with or for PostNL, physically and mentally. Keep our workforce healthy through active monitoring, engagement and steering. Respond appropriately to changing government policies in relation to the Covid-19 pandemic.

Fit for the future

Help people adapt to changes in our company and enhance our labour models. Develop new competences and ways of working accommodating business developments, such as digitalisation. And stimulating internal mobility to adapt to organisational changes.



Key performance indicators

Employee engagement share of engaged employees

2020	2021	Target '21
84%	84%	81%

Absenteeism absence days compared to working days

2020	2021
5.9%	6.0%

Environmental value: Improve environmental impact

Key material topics

- Climate change
- Digitalisation and data



Supporting company-wide programmes

- Digital Next – Driving the digital DNA in the company
- Zero 2030 programme – Creating movement within PostNL and contribute to employee motivation

Focus Areas

Network efficiency

Optimise planning and execution of logistical operations, improve utilisation of vehicles, reduce kilometres through network synergies and stimulate smart packaging.

Clean kilometres

Reduce environmental impact of the utilisation of our own and outsourced transport by phasing in and scaling up emission-free vehicles, while maximising the use of renewable fuels during the transition towards a fully zero-emission fleet.

Sustainable buildings and facilities

Build and upgrade our buildings to the highest possible sustainability standards including energy efficiency, generation of solar energy and sustainable and healthy climate control systems.

Green products and services

Collaborate with customers on developing environmentally friendly products and services in order to realise improvements together and along the value chain.

Key performance indicators

CO₂ efficiency in g/km

2020	2021	Target '21
249	203	205

Emission-free delivery share of emission-free last-mile kilometres

2020	2021	Target '21
20%	20%	22%



Financial value: Generate profitable growth and sustainable cash flow

Key material topics

- Financial performance and position
- Digitalisation and data



Supporting company-wide programmes

- Digital Next – Driving the digital DNA in the company
- Financial & Capital programme - Facilitating cooperation between Business units and group on managing dependencies

Focus Areas

Solid cash flow and capital management

Prioritise capital allocation based on a sound financial framework, taking into account developments in our results, return on invested capital cash conversion, to fund further growth and provide sustainable shareholder returns.

Smart yield management

Enhance pricing strategies based on data and insights, and balance volume and value for effective margin management.

Operational excellence

Ensure continuous investment in the performance of our operations, both in terms of network capacity, synergies and digitalisation, to enhance cost efficiency while delivering high-quality services.

Cost savings at Mail in the Netherlands

Adapt our Mail organisation and business model to continuing market decline to realise necessary cost savings to keep mail affordable while generating sustainable cash flows.

Key performance indicators

Revenue in € million

2020	2021
3,255	3,466

Normalised EBIT in € million

2020	2021
250	308

Free cash flow in € million

2020	2021
186	288

Adjusted net debt in € million

2020	2021
407	203

Dividend per share in €

2020	2021
0.28	0.42



ESG as a license to operate

Sustainable development has become an ongoing discussion topic with stakeholders. Where environmental, social and governance (ESG) topics were viewed as part of our corporate responsibility, today they are more integrated in discussions on short- and long-term value creation. ESG has become a license to operate and stakeholders expect our longer term sustainable development to be part of our strategy.

Making an impact together

As the relevance of ESG has increased, the scope of our focus has broadened from our own operations to the impact we have along our entire value chain. The result is that we need to take additional action, working with our partners to tackle a broad range of topics. If we are to develop sustainably, we need to make an impact together. This is why we have linked our ESG agenda to the UN Sustainable Development Goals (SDGs), specifically the SDG sub-targets, which helps us focus on those areas where we can make a material impact.

Environmental

Strategically, our main focus is on climate change mitigation by significantly reducing greenhouse gas emissions from our own operations and our outsourced activities. We actively steer on our quantified long-term science-based targets through four focus areas. We are also engaging with stakeholders and taking action to cut our air, land and water pollution; improve our connection to the circular economy; develop an approach towards climate change adaptation and promote biodiversity; and make our cities more liveable by cutting emissions from delivery transport.

For example, we continue to invest in decarbonising our operations and look for ways to accelerate this, not only for our own fleet, but also through collaboration with our logistics partners on both electrification and renewable fuels.

Since 1 January 2022 we are offsetting any remaining carbon emissions from our own transport and that of our delivery partners, cutting our footprint to net zero. This is an important step on our journey to delivering emission-free in the last mile across the Benelux by 2030.

One aspect of accelerating our transition to a lower-carbon business is by focusing on making our network more efficient and cutting the number of kilometres we drive. One way to achieve this is by reducing air in parcels. The smaller the parcel, the more we can fit in our vehicles, which improves transport efficiency and sustainability.

To safeguard the progress we make across our operations, we have implemented an environmental management system that is ISO:14001 certified for all our locations. More information can be found in the 'Environmental value' chapter.

Social

Our societal impact comes from our role as a major employer and our corporate citizenship. Our people create our success, and we want our people to feel engaged and motivated to work with or for us, whether they are employed by PostNL directly or work for delivery partners. This is why we focus on providing people with a safe place to work, and do everything we can to keep our people healthy. We also want to be a company for everyone, and diversity and inclusion is a core element in our social policy.

Diversity and inclusion are also integral elements of PostNL. We work hard to ensure gender equality across the company, one element of which is ensuring that, for example through collective labor agreements, people are paid the same wage for the same work. This should lead to the removal of a gender pay gap. At the same time, respecting Human Rights is an important precondition to being both a sustainable company and good employer. This is why we are committed to protecting and

“ We view ESG as our license to operate ”

advancing Human Rights and work vigorously to protect people against infringements of Human Rights in our operations.

Yet Human Rights is not only very important for PostNL, it is also becoming an increasingly relevant topic for our partners in the value chain. Stakeholders expect large companies to identify risks and develop mitigation plans to improve on important issues in relation to the impact made on people across society. Our social connection includes working with people who have a distance to the labour market, while our social sponsorships help people remain connected to society. More information can be found in the 'Social value' chapter.

Governance

Corporate governance is about sound business management. At PostNL, we operate a two-tier governance structure with a Board of Management entrusted with executive management, including execution of our strategy and operational management. They are under the supervision of an independent Supervisory Board. Each Board is accountable to the general meeting of shareholders for the performance of its duties. More information can be found in the 'Corporate governance' chapter.



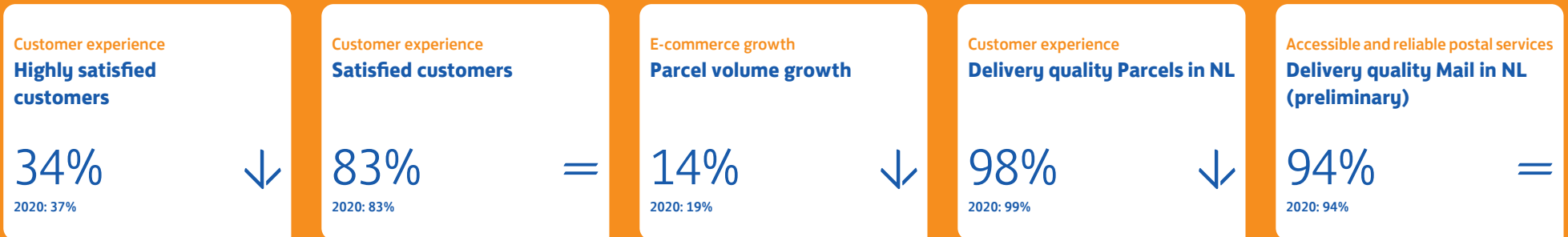
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Customer value

Throughout 2021 we continued to connect the millions of senders and receivers that rely on us every day, ensuring that our strong operations are flexible enough to deal with a rapidly changing environment, such as the ongoing pandemic. Our focus remained on developing smart solutions that helped create customer value in the most sustainable manner possible.



Customer value Key performance indicators and trend compared to prior year



Performance summary

Customer experience

PostNL Customer satisfaction as indicated

2020 - 2022

Year ended at		Target		Target
31 December	2020	2021	2021	2022
Share of highly satisfied customers	37%	37%	34%	35%
Share of satisfied customers	83%	-	83%	-

We have seen a step up in customer satisfaction across the board, related in part to the continuation of our service since the start of the pandemic. Investments in digitalisation are helping us make continual improvements in our commercial and operational core, by focusing on the customer experience through 'customer journeys'.

We are confident that this will enable us to strengthen our relationship with both business customers and consumers. While in 2021 we saw a decrease in the share of highly satisfied customers compared to 2020, the share of satisfied customers remained the same.

In 2022 we will begin switching from customer satisfaction surveys to using the Net Promoter Score (NPS), which will help us create greater value for customers through tailored customer journeys.

Performance at Parcels and Mail in the Netherlands

The share of highly satisfied customers at Mail in the Netherlands increased from 37% to 39% in 2021. Throughout the year we worked on simplifying Mail in the Netherlands' product portfolio, while improving the information and options available in our business portal.

At Parcels, the share of highly satisfied customers dropped from 37% to 30%. This was because in some cases we were unable to fully deliver customer volumes. One reason for this was the extreme pressure placed on our Parcels network towards the end of 2020 and the beginning of 2021. However, our focus on expanding our network throughout 2021 helped us avoid these issues during the year-end peak.

Customers and consumers are demanding ever-faster, more detailed and reliable shipping information. As a consequence, we are working on making improvements through our 'customer journey factory'. This includes a different way of measuring customer experience, using the Net Promoter Score (NPS) on a variety of levels, including strategically, in the coming years. More information on the customer journey factory is explained in detail later in this chapter.

Reputation score

In 2021 our reputation score was 71.6 (2020: 73.9). We scored particularly well in both 2021 and 2020 compared to recent years, which was below 70.0 points in the 2017-2019 period. Overall, our reputation score was stronger than the top-30 companies in the Netherlands. We also saw that survey respondents again rated our performance highly in 2021, the second year in a row we have significantly outperformed the longer-term trend. This would suggest that our focus on delivering high-quality services throughout the Covid-19 pandemic has been recognised across society.

Volume developments

PostNL Volume development as indicated

2020 - 2021

Year ended at 31 December	2020	2021
Parcel volume (in million items)	337	384
Growth compared to prior year	19%	14%
Addressed mail volume (in million items)	2,054	2,048
Decline compared to prior year	(10%)	(0%)

Parcel volumes again increased in 2021, and our services continued to help our many customers expand. Government measures as a result of Covid-19 continued to have a positive effect on the e-commerce market, which developed further.

Environmental, social and governance (ESG) criteria are increasingly used by customers as part of their vendor-selection process. We have set ourselves a series of ambitious targets, and we are recognised by standard-setting benchmarks, such as DJSI and CDP, as front-runners in our sector on the progress we make on ESG. Based on our solid strategic foundation, concrete plans to further digitalise our services, and strong ESG agenda, we are confident that our Parcels volume will continue to grow in the years to come. In 2021, our Parcels' volume grew by 14% compared to 2020. Of this, 85% was recurring and 15% was related to Covid-19.

At Mail in the Netherlands, the market decline continued in 2021, though the pace of decline slowed slightly, with an improvement in the underlying substitution rate. We again saw that the Covid-19 pandemic and societally-important mailings had a positive impact on consumer mail, due in particular to incidental government campaigns, such as election and voting mail, vaccination invitations, and the distribution of self tests. These helped limit the overall decline of mail volumes to 0.3%.

We provide customers with international delivery solutions through Spring, which is transforming itself from a traditional mail provider to a global e-commerce solutions provider. In 2021, Spring saw strong volume growth in Europe, aided by accelerating e-commerce-related revenue. In the second half of the year, Spring in Asia was impacted by VAT e-commerce rules introduced in the European Union (EU) on 1 July, and e-commerce law updates in China, aimed at preventing companies from selling fake products online. Together, these directives contributed to a significant percentage drop in e-commerce volumes from Asia.

Delivery quality

PostNL Delivery quality Share of items delivered on time

2020 - 2022

Year ended at 31 December	2020	Target	2021	Target
		2021	2022	
Delivery quality Parcels in the Netherlands	99%	98%	98%	98%
Delivery quality Mail in the Netherlands (preliminary)	94%	95%	94%	95%

Delivery quality at Parcels remained high throughout the majority of 2021, at 98% across our sorting and delivery processes in the Netherlands. During the year we communicated with customers to provide tips on how to inform consumers about the benefit of ordering in time, to help better manage the end-of-year sprint and flow of parcels. Within the organisation, we worked to manage peaks by ramping up sorting centre capacity, introducing additional delivery vehicles, extending the opening hours of depots on weekends, recruiting new colleagues, and focusing on flexibility across our networks.

At Mail in the Netherlands, we delivered 94% of consumer mail by the next delivery day in 2021, below the regulatory requirement of 95%. Our quality levels were affected in a number of ways throughout the year. Extreme weather conditions, mainly in February, impacted our service, as did the ongoing Covid-19 pandemic. Meanwhile, the strict lockdown at the beginning and end of 2021 led to retail outlets closing or operating with reduced opening hours, which had an impact on our planning and quality.

We also experienced a higher absence rate during a number of periods throughout the year due to sickness and quarantine requirements related to Covid-19, as we did in 2020. The closure of retail locations also led to operational delays.

Despite the challenges, we are proud of the tremendous efforts of our people to continue our mail service throughout the entire year.

Our focus is to return to delivery quality levels of 95% or higher as quickly as possible. However, as of publication of this report, we are still dealing with the Covid-19 pandemic. This inevitably has consequences for our processes, as we continue to put the safety of our people first. We have also seen that consumer behaviour is less predictable during the lock downs, which we have to respond to.

At the beginning of 2022 we had higher levels of sick leave because of the Omicron variant. Going forward, we will continue to make our processes as capable as possible of absorbing major shifts in supply and demand, while communicating clearly and transparently to customers and consumers about changes or developments.

Customer experience

Customer journey factory

In 2021 we continued to enhance the ways we interact with customers, working on improving our service quality and operational excellence. Crucial to this is our customer journey factory, which we established to advance the customer journeys of both our business customers and consumers. During the year multidisciplinary teams began working on six different customer journeys, with the aim of making improvements in areas such as parcel returns, dropping off shipments at PostNL, filing and solving complaints, and updating contracts with business customers.

One example is a 'Roundtrip label' pilot we developed for Decathlon, a sporting goods retailer. This helped increase customer satisfaction by enabling consumers who order through Decathlon's webshop to return their goods without having to print a label. All they have to do is place their returns in the original delivery box, and drop it off at a PostNL parcel point. We take care of the rest.

We also made it easier for customers to pay customs clearance costs when they import a parcel, by optimising the digital payment flow on the web and via the PostNL app. By improving the customer journey, we have managed to increase customer satisfaction and reduce operational and customer service costs.

The customer journey factory is an ongoing process, and in total we aim to have around 20 journeys in place. We believe this will make a positive contribution to customer satisfaction scores in 2022.

Net Promoter Score

In 2022 we will begin using the Net Promoter Score (NPS) to measure a variety of metrics internally, with the aim of switching to NPS to measure our strategic key performance indicators both internally and externally within the next two years. NPS is a widely used metric and improvement tool that is utilised by many of our customers. The benefits of this change include more in-depth insights that are easier to translate into concrete actions, which will help us create greater value for customers through tailored customer journeys.

Create value with more delivery options

Smart logistics is a vital element in ensuring customers' goods are moved quickly, efficiently and sustainably from collection to delivery. During the year we introduced our first next-generation, fully-automated parcel locker. Consumers can collect their parcel from the locker by entering a pin code received in advance via email or SMS, or drop off a parcel for collection by PostNL. With a maximum capacity of 68 parcels, the new lockers can hold almost three times more than our regular parcel lockers. The first locker is being tested at a supermarket in Utrecht. Our goal is to introduce smart lockers at an increasing number of PostNL points across the Netherlands, making it easier for consumers to collect and send parcels. By the end of 2021 we had 214 operational, and we will gradually expand this number to 1,500 by 2024. This will help support our 3,906 retail stores across the Netherlands, and 947 retail stores in Belgium, by helping spread the load when volumes are high.

In 2021 we also introduced new delivery preferences for consumers in the Netherlands, giving them greater control over where they receive their parcels. Launched in February across a number of delivery areas, and rolled out further during the year, consumers can now select from three 'non-home preference' delivery options through their PostNL account. The consumer in control remains a key aspect of the growth of our retail network.

Connection with customers through PostNL accounts

Consumers are increasingly using digital channels to connect with us, with the number of unique PostNL accounts rising in 2021 to 6.8 million by year-end (2020: 6 million).

At the end of the year, 1.7 million active users had activated 'Mijn Post' in the PostNL app, a significant increase on 2020, highlighting the importance consumers place on digital connections for both mail and parcels. The app has grown rapidly since its launch, and it is now a key way for us to connect with customers and consumers and roll out services that provide them with greater independence and freedom.

Our website had 926 million unique visits, 66% of which were through our app.

Many of our platforms, such as Shops United and MyParcel, help small- and mid-sized shops move online, providing them with an easy and cost-effective way to ship everything from letters to pallets to their customers locally, nationally, or internationally.

Customer service

During the year we opened a new PostNL Expertise Center in the Dutch city of Leeuwarden. The Expertise Center helps customers who contact us by chat, social media, through complaint forums or by phone. Our goal is always to provide high-quality delivery services, and while we have multiple policies and checks in place to safeguard that deliveries are successful, sometimes things do go wrong. Deliveries can be delayed, damaged or even lost. When something goes amiss we work with customers and consumers to find an appropriate solution as part of our customer care activities. And while the number of complaints relative to the huge volumes we deliver is small, we are constantly working to improve our service quality.



NPS supports journey team

In 2021, we started using the Net Promoter Score (NPS) to find out what customers think of us. One of those using NPS data at PostNL is Ronald Pas, who owns a customer journey. "The journey we work on maps all our business contacts, and NPS tells us exactly where there is the greatest room for improvement, with the maximum impact. For example, we know customers sometimes have problems finding the information they are looking for online, and NPS can confirm this. That is valuable data that we can act on by adding information boxes."

"Another powerful part of NPS is that we can use data to find the cause of issues. If a customer has a problem with an invoice, NPS data helps us identify if other customers are also experiencing similar invoice issues. This makes it easier for us to identify and solve the issue structurally. Using NPS is an effective way to help improve customer satisfaction."

SDG's



E-commerce growth

With e-commerce continuing to accelerate in 2021, with a structural step up in volumes due to Covid-19, we maintained our focus on expanding our network while increasing the efficiency of our existing infrastructure. We expect the market to continue expanding. Consumers are increasingly purchasing online and experiencing the benefits of e-commerce, and we are facilitating this by growing an array of innovative and digital solutions that provide customers with a broad range of delivery options.

Capturing e-commerce growth and manage network capacity

E-commerce growth has accelerated since the start of the Covid-19 outbreak in spring 2020. While we saw a continuation of non-recurring parcel volumes related to the pandemic in 2021, it is apparent that the underlying strong growth trend in e-commerce is here to stay. Our market share remained stable, as it has since 2020 when we rolled out tariff increases that led to a small shift in market share between us and our competitors. We also saw that customers are increasingly pursuing a multi-vendor delivery model, whereby they use two or more logistics providers to ship their parcels.

“ The SPSC is our first fully robotised parcel sorting centre, with 175 robots carrying out internal transport ”

Benelux

In October we opened our first small parcel sorting centre (SPSC), which processes parcels up to the size of a large shoebox. Located in Nieuwegein, the Netherlands, the SPSC is our first fully robotised parcel sorting centre, with 175 robots carrying out internal transport and robotic arms lifting and bagging the parcels. Small parcels make up a large part of e-commerce volumes and processing them separately frees up capacity at our other parcel sorting centres.

We also opened our twenty-sixth parcel sorting centre in the Netherlands, which increases our parcel processing capacity. Located in Westzaan, the centre is capable of processing 60,000 parcels per day. Along with the SPSC, this latest centre will add to the flexibility of our parcel infrastructure and help reduce peak pressure on our sorting process.

To stay ahead of the ongoing e-commerce growth in Belgium, in 2021 we opened two new distribution depots in the country. The depots provide us with around 18,000 square meters of additional space. They bring the number of depots we operate in Belgium to nine. In 2022 we plan to open a high-tech sorting and distribution centre in Willebroek, Belgium, and aim to open a second centre in the country during the course of 2023.

International

As international e-commerce continued to grow, Spring helped ensure that consumers purchasing goods from e-tailers abroad received them quickly and efficiently. However, in the second half of the year global supply chain issues and sharply increasing freight costs had a significant impact on cross-border trade.

Growth out of Asia was hit by China's clampdown on e-tailers selling fake goods and the new EU VAT rules. The latter had the greatest impact on volumes.

Until 1 July 2021, no import VAT needed to be paid on commercial goods valued up to €22. From that date, however, all commercial goods imported into the EU became subject to VAT irrespective of their value. This regulation had a major negative impact on our parcel volumes.

To help process the data connected to this, the EU developed an electronic portal that businesses can use to comply with their VAT e-commerce obligations, called Import One-Stop Shop (IOSS). This system facilitates and accelerates the payment of VAT for both e-tailers and consumers, and lowers the threshold for shopping outside the EU. We have worked with this system since the beginning, helping to ease our customers' administrative burden.

The full impact of Brexit also became clear in 2021. Following the end of the year-long transition period, on 1 January customs formalities were required to move goods between the EU and the UK. We saw that some customers chose for additional fulfilment options in the Netherlands and other European countries rather than in the UK, to remain flexible.

Spring gained additional customers by offering customs solutions for customers in Europe. This is an example of how we facilitate our customers to carry out business internationally.

Deliver smart logistics solutions

Smart logistics helps us move customers' goods quickly, efficiently and sustainably from collection to delivery. One element of this is shipping platforms, which help small businesses to easily ship both parcels and freight. But we also invest in platforms that act as a marketplace, offering services to both supplier and customers, taking care of the logistic supply, invoicing and payment.

Health sector

We made good progress at CB Healthcare, the joint venture we established with the healthcare arm of Dutch company CB, for example the expansion of our pharmacies channel. And we contributed to the government's response to the Covid-19 pandemic with our fulfilment and distribution solutions. The National Resource Consortium (Landelijk Consortium Hulpmiddelen) in the Netherlands, contracted PostNL to arrange storage and distribution of health goods such as gloves and masks to hospitals across the country.

We also grew the support services we provide healthcare sector clients, where we take care of an array of logistics solutions such as deliveries of wound care and incontinence products to people's homes and care institutions.

In Belgium, we obtained the Good Practice Distribution (GDP) certificate, enabling us to strengthen our position in our logistics services for pharmaceutical products.

In 2021 we expanded the customer base of Roamler Care, a platform that connects self-employed home care providers with sick or elderly people linked to care institutions, when we signed up Blinkers. Blinkers enables retired and part-time care providers to search for assignments within the healthcare environment using an app powered by Roamler Care.

Food sector

The food sector remains a growth domain for PostNL, especially in platforms and fulfilment. During the year we took a minority stake in online food marketplace VersTrade, which connects food professionals, such as restaurateurs, caterers, speciality stores and online retailers, to food and beverage suppliers.

We also continued to work with Truffelz, a logistics platform for suppliers, catering owners and logistics partners.

We saw strong growth in our food fulfilment services in 2021. However, we experienced difficulties in making our food delivery services profitable for a variety of reasons, including efficiency due to challenges in the consolidation of volumes.

Going forward, we aim to continue investing in food platforms and fulfilment, but have announced that we will stop our food delivery services in 2022.

Sustainable food solutions

Food waste is an economic and an environmental issue across many parts of the world, and in 2021 we began providing food fulfilment for a number of organisations that are working to reduce their own food waste and that of others.

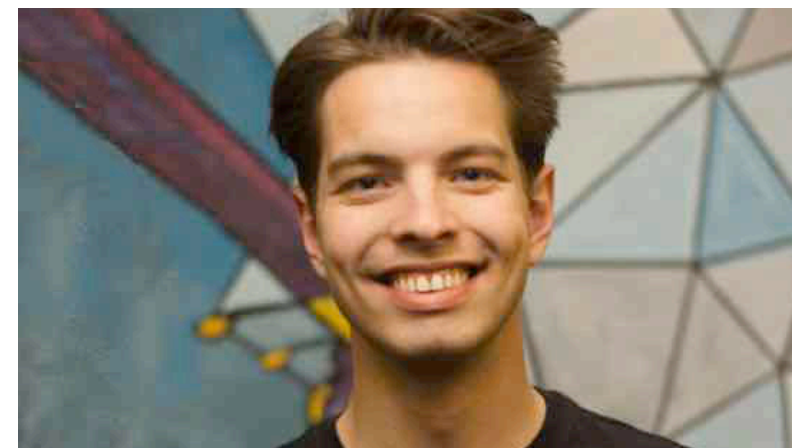
One of those was the Too Good To Go app, which connects consumers to restaurants and stores that have unsold food surplus, which is then sold at a discount. With our experience in the area of food fulfilment, we are ideally placed to expand further in this area.

Lead through business model innovations

In 2021 we implemented a number of initiatives through our Digital Next programme to innovate our business models, which will create market benefits for our customers and help us grow our business.

Digital beacons on roll containers

During the year we attached digital beacons to 85% of our 300,000 roll containers, enabling us to follow almost the entire roll container fleet in real-time through our networks. Tracking roll containers is vital to the real-time running of the logistics chain in the future, as it improves the quality of information and the efficiency of our services. Using the data generated by these roll containers, we will be able to make better logistics decisions in terms of planning, interventions and management. And the data also provides meaningful insights for customers,



Tracking 290K containers

PostNL is attaching digital beacons to all its 290,000 roll containers, which are used for storing and moving parcels and mail. The data generated by these beacons helps us track the movements of the containers. "This project is part of the digital transformation of PostNL," explains Roy Verstraaten, a logistics designer and member of the installation team. "The beacons basically transform our containers from lifeless steel cages into data generators. They tell us exactly which container is where, and allow us to improve processes and provide customers and consumers with useful information. We can plan transportation to and from customers and between our own locations more efficiently. And because we know exactly how many containers we need to collect, we can also use the space in our trucks more efficiently."

"The beacons also allow us to monitor when the containers are ready for transportation. We currently use this information for our planning, but it is also useful for customers. In 2022 we will start working on additional applications for customers."

SDG's



such as e-tailers sending orders to consumers. They will be able to better track collection, packaging and returns' flows. As well as cost efficiencies, this will bring environmental gains as there will be less empty space in trucks. This project is an example of how we are accelerating digital transformation across the company, making the delivery process more efficient. This enables us to strengthen our competitive position and better connect to customers and consumers through simple and smart digital journeys.

Utilising our networks

We are optimising the use of various networks to create crossovers between services. For example, we are standardising our bulk parcels network as much as we can. When specific goods or processes lead to inefficiencies, we are increasingly using tailored logistics networks, such as our time bound network, to carry out deliveries. One example is for our returns or ships-from-store services.

In 2021 we successfully doubled our robotised fulfilment capacity and established a team that specialises in process mechanisation and growth acceleration.

Relevance of physical mail

The value of physical mail

Physical mail remained an important form of communication throughout 2021, as the pandemic saw people continue to connect with friends and loved ones through mail. Sending greetings cards and gifts using letterbox parcels remained popular throughout the year.

Throughout the year we sorted and delivered a range of letters as part of the Dutch government's drive to tackle the pandemic. These included invitations for the vaccination programme, letters informing the public on how to order self-tests, and delivering two self-tests, on request, to every household in the Netherlands.

For the Dutch national elections in March we sorted and delivered almost all 12 million voting cards and 6 million candidate lists. We also delivered a total of around 1 million postal votes to 352 municipalities. In a survey following the elections, the municipalities feeded back that they were 'very satisfied' with the way we dealt with incidents and the solutions we offered.

While bulk mail volume increased slightly during the year compared to 2020, partly due to (incidental) Covid-19-related mailings, as described above, the overall downward trend continues. We saw e-commerce customers begin to (re)discover direct mailing campaigns as a distinctive and effective form of advertising.

Direct mail has proven to be effective, and compared to online media it has some unique strengths. The attention time of recipients is longer, for example, which leads to greater interest and appreciation, and a higher response rate. However, we do not expect these benefits of direct mail to offset the overall declining trend of physical mail.



Project Simplicity

Project Simplicity is about simplifying our overall mail customer proposition, including product range, pricing structure, terms and conditions, and associated systems. Portfolio manager Pierre van der Vliet explains how this is an improvement for customers without limiting their choices. "Customers had to choose from 2,200 different product codes for their bulk mail. That can be confusing. We have now made a list of 200 basic products. In four steps, customers select a product that suits their needs, for example based on size and weight or delivery speed. Although this seems to limit choice, using a smarter product set-up means most customer needs can still be fulfilled. So far 12,000 customers have switched to the new system, the rest will follow in 2022/2023.

As well as being more transparent, the new structure contributes to customer satisfaction in other ways. It allows customers to prepare their business mail digitally and enables easier-to-read invoices. While customers may need to get used to the new set-up, in the end it will save them a lot of time and effort."

SDG's



Simplified product portfolio

In 2021 we reviewed our bulk mail portfolio, reducing the number of bulk mail products from around 2,200 to 200. Previously, we offered a wide variety of tailored products at different price points, which added complexity when it came to doing business. A simplified product portfolio will directly benefit customers as it enables us to make bulk mail propositions simple, clear and digital. It also allows customers to prepare their business mail digitally and enables easier-to-read invoices. We can also create more efficient back-office and operational processes. The new portfolio was introduced to customers with an annual volume of up to 250,000 mail items at the end of 2021, and the products became active on 1 January 2022. The roll-out to other customers will take place over the course of 2022/2023.

Keep mail accessible, reliable and affordable

This involves performing a daily delivery round from Tuesday till Saturday, except on public holidays. We are also required to deliver urgent medical items and funeral notifications on Mondays. And at least 95% of all standard single-rated domestic letters under the USO posted the day before must be delivered in 24 hours. In a declining market, one of our key tasks is securing accessible and reliable postal services at affordable prices. Having delivered over 94% of consumer mail by the next delivery day in 2021, just short of our 95% target, we are constantly looking for ways to improve quality.

For example, we have been working on a programme in which each letter is uniquely coded and therefore easier to trace. This will enable us to track letters within the delivery chain, meaning we can identify where any issues are and solve them. And we are running additional recruitment campaigns, aimed at attracting mail deliverers, as a shortage of deliverers can impact our quality performance.

Retail also plays a vital role in the accessibility of our services. Through over 3,900 retail locations in the Netherlands we help consumers with sending and receiving mail. This is also why it was extremely important for PostNL that these retail locations remained open during the strict lock down both at the beginning and the end of the year. One part of our support in 2021 was providing retailers with additional payments totalling €17.5 million, with the last payment made in December.

On 28 October, we announced that stamp prices will remain unchanged in 2022 due to the positive contribution of Sandd volumes and the non-recurring volume increase in single mail, related to Covid-19 in 2020. For business mail, we continue our moderate pricing policy.

Adapt MailNL organisation to market developments

We continue to implement cost savings initiatives, as well as moderate price increases, to offset the expected volume decline. For example, in 2021 we improved our sorting and preparation process by introducing new mail sorting units. And, as mentioned above, we also now give each letter a unique code. We streamlined our staffing operations, optimised delivery routes and rolled out additional e-bikes and vehicles to make delivery more sustainable and efficient.

We also continued to innovate our services and solutions, for example through the expansion of the MyMail service in the PostNL app, which provides users with notifications and digital previews of the mail items that will be delivered. And to meet customers' future needs, we are intensifying customer dialogue and have introduced a variety of workshops and white papers with partners. This contributes to new customers discovering the value of direct mail, and shows that mail remains an attractive option alongside digital solutions.

Progress on centralisation preparation locations

We implemented additional cost savings initiatives across our Mail in the Netherlands operations in 2021, which included centralising our preparation locations. During the year we closed eight locations in the Netherlands, bringing the number of locations, including sorting centres, that we operate to 26. The current plan is to reduce the number by an additional four to six in 2022.

Next phase of the New mail route

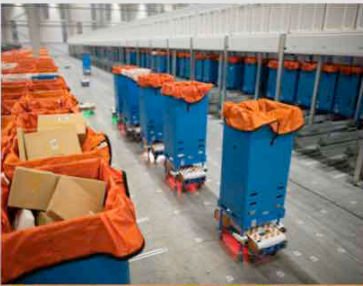
The introduction of e-bikes, e-cargo bikes and e-scooters in phase two of the New mail route means deliverers can now carry more mail than they could on a regular bike. This greater capacity means we are able to extend delivery routes and increase the efficiency of delivery routes.

And to provide deliverers with sufficient space to organise their deliveries, and charge their e-bike or e-scooter, we opened five larger, better-equipped depots across the Netherlands. We plan to open an additional 35 new New mail route depots in 2022.

Importance of online retail

Consumers want to see services traditionally offered at retail locations, such as the sale of stamps, available online, either through our app or website.

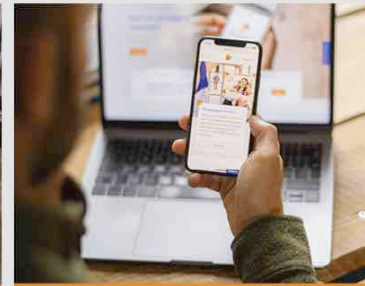
Value drivers



Transform our commercial engine



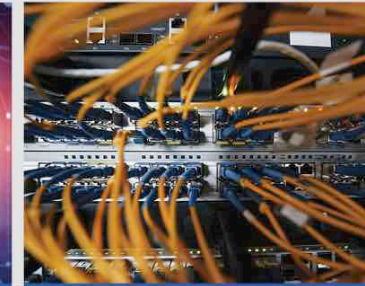
Transform logistics & operations



Scale platform & business models



Strengthen our data foundation



Strengthen our IT foundation



Drive our digital DNA

Foundations

Digital next: changing the way we do business

Our digital ambition is to run an integrator model in parallel with our existing physical services, which will enable us to grow the range of services we offer our customers, while managing our e-commerce-related networks and those of our partners as one. An essential aspect of this is Digital Next, a company-wide programme that enable us to accelerate the execution of our digital strategy, leading to a smarter, more agile company that can continue to exceed customer expectations.

Transform the commercial engine

To offer our customers and consumers distinctive digital customer experiences, we continuously improve the customer journeys to offer solutions that fit their individual needs. By utilising real-time, data-driven decision making across a fully smart supply chain, we improve efficiency and realise a faster, more accurate delivery process. An example is the greater digital data and control across our Parcels, Mail

in the Netherlands and International operations, developing interactive dashboards with our customers and introducing new channels aimed as small- and mid-size businesses. Also the roll-out of our smart, fully-automated parcel lockers across the Netherlands is a good example.

Transform our logistics and operations

By using our data in logistics and operations, we can better predict peak times and improve our route planning, allowing customers to view and change their order status in real time. We also increase flexibility in the chain by further automating and robotising processes for example with the introduction of our small parcel sorting centre, see chapter 'How we create value'.

Innovate our business models

To meet the increasing expectations of customers and consumers, we innovate new business models, bringing

novel value propositions to the market. This helps our customers grow their business and flourish, for example by investing in platforms that act as a marketplace and offer services to suppliers and customers. We are currently doing this successfully through the Shops United and MyParcels platforms, as well as across the health and food sectors.

Invest in our digital foundation

Investing in our data foundation, strengthening our IT foundation, and driving our digital DNA enable us to provide customers and consumers with what they want and when they want it. For consumers, this can involve offering innovative digital services through the app. For customers, helping them increase the success of their business by translating our data into actionable insights. And for operators and (digital) service providers, it could involve an open ecosystem to integrate the services of third parties.

SDG's



Social value

The growth in e-commerce and the transition in mail continued in 2021, which has an impact on everyone who works for or with us. As these developments occur, our people understand the vital role they play at PostNL, and feel committed to making a real difference in a changing and dynamic market. We want to realise our people's full potential and are focused on helping our customers as a strong and reliable partner, while acting as a responsible employer.



Social value Key performance indicators and trend compared to prior year

Engaged people
Employee engagement

84%

2020: 84%

=

Health and safety
Absenteeism

6.0%

2020: 5.9%

↓

Performance summary

Employment developments

We are proud of our company and the direct and indirect employment we provided to more than 53,000 people, on average, in 2021. Around 70% were our own employees and 30% were those employed through delivery and other partners. As we strive to be an inclusive company, we provide, for example, employment to around 1,600 (2020: 1,600) people with a distance to the labour market.

PostNL Headcount own employees Total number of PostNL employees

2020 - 2021

Year ended at 31 December	2020	2021
Headcount opening balance	35,721	40,541
New hires	15,440	9,988
Turnover	10,620	13,164
Headcount closing balance	40,541	37,365

At year end, the headcount of our own employees was 37,365. The drop in headcount in 2021 was partly due to the sale of our Cendris Customer Care entity, which employed approximately 1,700 people. In line with the growth at Parcels, we were able to hire around 500 new employees throughout the year. At Mail in the Netherlands we saw a gradual decrease in the number of employees, which began when Covid-19 measures were eased towards the summer. As the labour market became tighter we were able to partly offset the decline in capacity by increasing the average contract hours of mail deliverers, although this remains challenging. We also realised efficiencies in our operations. Workforce management and capacity planning continues to be an important activity in our social domain.

Continued focus on the health and safety of our people

With the pandemic continuing through 2021, our focus remained on the health and safety of our employees, and the employees working indirectly for us. We continued to adjust our processes to new government measures and guidance, and this approach was effective. Our services have continued without interruption throughout the pandemic, and employees have indicated through surveys that they appreciate what we are doing.

PostNL Absenteeism Percentage

2020 - 2021

Year ended at 31 December	2020	2021
Absenteeism (share of total working days)	5.9%	6.0%

Covid-19 continued to impact absenteeism. With the health and safety of our people a priority, a reduction in absenteeism due to illness was not one of our goals in 2021. We advised our people to take a precautionary approach and remain at home if they had any Covid-like symptoms. While this is done in the interest of the health of our people, it also impacted the service levels we can deliver. We continued to adapt the organisation throughout the year, responding immediately to the fast-changing government measures. Our internal dashboard showed that the relative number of Covid-19 cases within PostNL in 2021 was lower than the Dutch average. We continue to monitor these developments on a day-to-day basis and take (additional) corrective measures if and when needed. We are very proud of the commitment and flexibility of our people to adjust their work rhythm to frequent changes, which was crucial to run our operations across all our locations throughout 2021.

Employee engagement

PostNL Employee engagement Share of engaged employees

2020 - 2022

Year ended at 31 December	Target		Target	
	2020	2021	2021	2022
May survey	-	-	86%	-
October survey	84%	-	83%	-
Average score	84%	81%	84%	82%

In a tight labour market, strong employee engagement is essential if we want to be successful. As well as better employee retention, motivated people are key to being an effective company and offering customers the high-quality services they demand. The average employee engagement score in 2021 was 84%, similar to 2020. Our performance is slightly above the benchmark figure in the Netherlands. While we evaluate the underlying scores in many different areas, the score in our survey in October was slightly negatively impacted by work pressure due to staff shortages at specific locations.

The detailed results of our employee engagement surveys help us understand best practices and areas for improvement. Our drive to improve employee engagement is illustrated in the target we have set for 2022, which at 82% is 1 percentage point higher than our 2021 target. We have linked this to the 2021 target rather than performance, because we again saw that our 2021 results were positively influenced by the temporary impact of Covid-19.

Attraction and retention

The employee journey within PostNL starts with recruitment. In recent years we have been tailoring our recruitment campaigns and channels to reach potential employees effectively, following societal trends, such as communication through social media. We have also streamlined our recruitment processes to make it easy for people to join PostNL. Once recruited, onboarding is key to an effective start at the company and our focus on retaining people.

Hiring the right people

The pandemic continued to impact the labour market in 2021, and led to a shift in our staffing requirements. The labour market in the Netherlands tightened, with the number of vacancies across the country at one point outnumbering those seeking a job. This applies to operational positions as well as IT personnel. During the year we filled more than 6,365 operational vacancies to help us grow the business, including delivery and sorting positions, and 675 corporate vacancies, of which 39% were internal hires.

Throughout the year we ran a series of recruitment drives and campaigns, targeting mail and parcel deliverers. This included a national multimedia campaign in September and October, with advertising on bus shelters, radio commercials and across social media and job boards. Internally, we continued to run our 'Tip a winner' campaign, a referral programme in which PostNL colleagues receive a financial payment for successfully registering a new mail or parcel deliverer. Despite our recruitment efforts, filling vacancies was challenging, which resulted in structural shortages, especially of mail deliverers in specific regions. This led to an increase in hiring costs per FTE. In 2021, the recruitment costs per new hire increased by 25%, from €1,088 to €1,363.

Managing employee retention

PostNL Employee turnover In percentage

2020-2021

Year ended at 31 December	2020	2021
Turnover rate (share of total headcount)	30%	32%
Voluntary turnover rate	17%	19%

We want to provide new hires with a warm welcome to the company. Onboarding is one of the areas in which we are putting more effort, given the relatively high early turnover rates we have seen in the recent past. Overall turnover rates are fairly high in our business compared to other sectors.

The turnover rate in 2021 was comparable to 2020 and previous years. Due to the sale of Cendris at the beginning of the year, around 1,700 people left PostNL. Corrected for these employees, the underlying turnover rate is around 26%, which is lower than previous years and indicates that we are successfully retaining our employees, on average, for longer.

Diversity and inclusion

We believe in the power of diversity and inclusion, and want our workforce to be a reflection of society where everyone feels safe and accepted. We respect and value differences as it makes our organisation stronger, innovative and attractive. This is why we focus on diversity in different areas of our human resources processes. We proactively work on identity acceptance with a visible LGBTIQ+ community and create opportunities for people with a distance to the labour market. We are also taking a proactive approach towards this important topic through engagement with partners in our value chain.



Office workers helping out

For many years now, office-based PostNL employees have been helping out in our operations during the busy holiday period. In 2021, a total of 1,100 shifts were filled by office workers. Suzan Kuiper, team manager IT, helped in our parcels sorting center in Den Hoorn.

“Together with another colleague from IT I had to make sure the chute that carries the parcels to the loading dock did not overflow. You have to take parcels from the chute and help the drivers load their vans. I do this every year because I really enjoy doing it! It's a totally different work experience that helps me get a perspective on how busy it is at this time of the year. And it also helps me understand the importance of IT in the operational processes when I hear from the drivers what the impact is of an IT failure. Within the sorting centres I really feel I can help alleviate the pressure in the operation process. I've helped out in different locations and each location has its own feeling, which proves to me that this is really a people's company.”

SDG's



Making progress in gender diversity

PostNL Gender diversity Percentages

2020-2021

Year ended at 31 December	2020	2021
Share of female PostNL employees	49%	48%
Share of females in operational management positions	21%	23%
Share of females in middle management positions	32%	33%
Share of females in senior management positions	28%	29%
Share of females in management positions	28%	30%

While the total share of female employees decreased slightly by 1 percentage point to 48% in 2021, we have been making progress on the balance between men and women in management positions at operational, middle and senior management levels.

Gender diversity at the top

On 1 January 2022, the Netherlands introduced a new law requiring a mandatory gender diversity quota on the supervisory boards of Dutch listed companies, with new

“ Our diversity index provides insight into 'acceptance', 'inclusiveness' and 'diversity' ”

appointments contributing to a composition of at least one-third women and one-third men.

At the same time, companies such as PostNL were required to set gender diversity targets for the composition of their management board, supervisory board and senior management. In line with this, we have updated our policy on diversity at the top of the organisation.

For the Board of Management, we have set a target of at least one-third women and one-third men. At the end of 2021, our Board of Management had a 50/50 split, exceeding compliance with our target. Our Supervisory Board was composed of one-third women.

For senior management with an individual labour contract, we have a plan in place to reach our gender balance target of at least one-third women and one-third men by 2025. In 2021 we began implementing this plan, for example through coaching and succession planning aimed at talented women within PostNL. In the coming years, this will also involve filling a larger proportion of vacancies with women.

For the purpose of this law, we have defined senior management as employees who have individual labour contracts. This population represents a subset of employees covered by the indicator 'share of females in senior management positions' presented in the table above.

Developing best practices to remain amongst the leaders

Given the company's relevance to society, we want to lead by example by sharing knowledge and experience with others. And through our role in society we want to connect people. We also value evidence-based policy, which is why we have our diversity policy independently assessed and benchmarked on a range of topics annually. For example, the Talent to the Top

benchmark provides insights into the advancement of women. The Workplace Pride benchmark highlights progress around the acceptance of the LGBTIQ+ community within our organisation. And the diversity index we have developed, which provides insight into 'acceptance', 'inclusiveness', and 'diversity', is ahead of the curve in the Netherlands.

Making research-based progress

In 2021, the national statistics office, Statistics Netherlands (CBS), undertook a cultural diversity barometer which provided insight into the composition of our entire workforce with regard to Dutch, Western and non-Western backgrounds.

We also continued to run a scientific research project called More Colour at the Top. The aim of the research is to support and stimulate the potential of people from a multicultural background as they seek to develop a career, and remove any barriers they may encounter along the way.

Based on what we have learned from these projects, as well as the Diversity & Inclusion survey we carried out in 2020, we introduced a number of other important initiatives. One is a pilot project focused on professional behaviour in the workplace. Another is paying greater attention to succession planning and the promotion of multi-cultural talent, with distinct action plans established for Parcels and Mail in the Netherlands and a greater focus on gender diversity.

We are extremely proud of the headway we made within Diversity & Inclusion in 2021, and look forward to building on this progress going forward.

Networks to promote diversity and inclusion

There are a number of networks active within PostNL, all aimed at further promoting diversity and inclusion. The Women Inclusion Network (WIN) has a proven mentoring programme, which includes senior management acting as mentors for

talented and ambitious women to help them grow and prepare for taking senior positions within the company.

The PRIDE network actively campaigns for greater acceptance of the LGBTIQ+ community, while the Young PostNL network focuses on young talent within the company, and develops its own events aimed at developing young talent. We also believe in the importance of knowledge sharing, and actively work as a host with Diversity in Business, Talent to the Top, and Agora, which promotes cultural diversity.

Labour practices

Applying sound labour practices is vital if we are to retain people working with or for us. This includes ensuring favourable working conditions, for example providing our people with the right tooling to carry out their work, fair compensation, equal pay, managing work pressure and helping our people maximise their potential through people development.

Steering on people engagement

PostNL Employee engagement Share of engaged employees

2020 - 2021

Year ended at 31 December	2020	2021
Average score	84%	84%

The engagement and passion people have with and for their work is an important indicator of how people experience the company's labour practices. This is why we measure employee engagement, and how we gain insights into areas we can improve upon. We then tailor our improvement measures to the different work dynamic between business units, operational locations and (head) office functions.

Relevant improvement areas include providing the right tools for our people to carry out their job and increase collaboration between departments. Another example is internal communication. One initiative we have successfully launched is regular 'live events' for office staff, where our board of management gives updates on different developments within PostNL in an interactive online setting.

In 2021, employee engagement remained high at 84%, which is just above the October 2021 Dutch benchmark measured by our independent service provider. In the survey, employees mentioned they are proud of their work, teamwork within PostNL and the contribution their department makes to PostNL. Improvement areas relate to internal communication, available systems and tools, and collaboration between departments. Feedback is followed up departmentally, and falls under the responsibility of (senior) management.

Fair compensation and equal pay

How well employees are paid has a direct correlation on their motivation, but this only works if they are treated fairly and equally. Which is why we believe in equal pay for equal work, irrespective of gender. We work on agreeing collective labour agreements (CLAs) with trade unions to ensure that all employees benefit equally and, through salary increases, that they benefit from the company's success.

In October, we began negotiating a new CLA for mail deliverers with the BVPP, FNV and CNV unions. The talks are focused on a range of issues, including compensation, travel allowance, pensions, staffing levels, and wages. Until the new CLA is agreed upon, the provisions of the previous collective labour agreement, which ran until 30 September 2021, will remain in place.

Working with logistics partners

We have a mix of people working for and with us, from internal employees to those employed through logistics partners. This includes people employed by transport partners and external agency staff, both based on hours-worked and executed work packages in our parcel sorting processes.

Collaboration on professional basis

In recent years we have moved from collaboration based on self-employment to working with professional logistics partners, which improves both the quality of our services and labour rights.

Maintaining good relationships and collaboration with our logistics partners is crucial for our success. This is why we engage with them on an ongoing basis, covering topics such as compensation, workload, delivery quality, and compliance with social and labour laws. This ensures that everyone who works with us has decent working conditions.

Based on learnings from the Dutch labour inspectorate in the past and complexity of legal requirements, for example for smaller delivery partners, we decided to take a more proactive approach to ensure compliance with labour-related laws and regulations. In the Netherlands, for example, we have a number of controls in place to safeguard social compliance and labour rights, including fair compensation in accordance with collective labour agreements. One example is evaluation of formal company registration of new delivery partners. Another example is identity checks for new delivery partners as well as their employees. The Dutch 'Wet Aanpak Schijnconstructies' (WAS) helps protect the labour rights and fair compensation of people employed by our logistics partners.

Monitoring satisfaction of delivery partners

PostNL Collaboration barometer percentage

2020 - 2021

Year ended at 31 December	2020	2021
NL		
Percentage of (highly) satisfied delivery partners	69%	69%
Percentage of (highly) satisfied deliverers	72%	73%
BE		
Percentage of (highly) satisfied delivery partners	69%	71%
Percentage of (highly) satisfied deliverers	74%	69%

Within Parcels, we work with delivery partners across more than 75% of our routes. More than 80% of delivery partners in the Netherlands and around 75% in Belgium employ their deliverers via a labour contract. As these deliverers represent PostNL in their daily work, it is important that we also understand their engagement levels and motivation. Through our annual collaboration barometer we measure the satisfaction of both delivery partners and their deliverers.

In the Netherlands, the results were positive and comparable with 2020, with 69% of delivery partners (highly) satisfied and 73% of parcel deliverers (highly) satisfied with their collaboration with PostNL. As in the Netherlands, in Belgium we were happy with the 2021 results, with 71% of delivery partners (highly) satisfied with PostNL as a client. The satisfaction of deliverers decreased compared to 2020. As in the Netherlands, the main areas for improvement relate to communication, route optimisation, and process improvements, which we will work on in 2022.

Belgian social and labour law

The sharp growth in e-commerce services we provide in Belgium has been reflected in both the number of delivery routes we operate and our exposure in the country. Because we have chosen for a model where delivery partners distribute

our parcels for us, this has led to an increase in the number of delivery routes performed by the delivery partners we work with.

Currently, around 80% of the 1,400 deliverers that distribute our parcels in Belgium are already employed. They work for the 220 Belgian companies we have entered into a sustainable partnership with to realise delivery. Clearly, we only want to work with companies that work in accordance with all applicable laws and regulations, and in the vast majority of cases this works well.

We are proud of the loyal delivery partners and deliverers we work with in Belgium. And we believe this feeling is mutual, with over 70% of delivery partners and almost 70% of deliverers saying in 2021 they were (highly) satisfied with the way we collaborate with them. As a commissioning company, we take satisfaction in providing fair compensation and offering sustainable partnerships in a growing sector.

Unfortunately, in 2021 the labour inspectorate in Belgium noted alleged breaches with applicable social laws and regulations while carrying out their inspections. Based on their findings, charges were filed against PostNL for false self-employment, illegal posting of workers, as well as being an accomplice for not paying social contributions in all of these cases. This is despite PostNL not being the employer of the people concerned. The court hearing in these cases is expected in the third quarter of 2022.

Naturally, we had already set up and implemented many controls in relation to the cooperation with our delivery partners. As a result of the inspection, and in consultation with the labour inspectorate, we have further increased our control efforts and have now fully implemented them. Examples include access control at our premises for each delivery partner

employee and checking the delivery partners' employees' registration at the government agency for social contributions.

We like to emphasize that the vast majority of our delivery partners are professional and apply the same standards on social compliance as PostNL. When we detect non-compliance, this may lead, but only in a limited number of cases actually has led, to cancellation of our collaboration.

Other main engagement initiatives in 2021 Extending contract hours at Mail in the Netherlands

Given the tight labour market and shortage of mail deliverers, in 2021 we worked on increasing the contract length of employees at Mail in the Netherlands, focusing primarily on deliverers. We tackled this in a number of ways. For example, we offered all current employees extensions to their contract at the beginning of the year, and many employees made use of this option. We also offered new hires longer contracts, and provide contracts for an indefinite period sooner. In 2021, in total the average contract hours of around 16,300 mail deliverers increased by 7%.

Engaging office staff working from home

Office-based workers continued to work from home throughout the year. To keep everyone informed of company developments and help maintain a sense of connection, board members held live video sessions providing company-wide updates, while executive committee members wrote and posted on blogs. We also began using Fizzinity, a platform specially developed for team building. It can be used for on boarding programmes or as a kick-off for a new project group, with team members getting to know each other through informal questions, dilemmas and assignments.

Talent management

We believe that Strategic Talent Management is key to achieving an inclusive company, allowing room for the

sustainable development of talent across all areas. As part of our focus on developing skills, talent and personal leadership, we follow a strategic talent management cycle that involves an annual talent review, talent identification, succession planning, development and recruitment.

To become more agile as an organisation we evaluate the learning agility of office-based employees during their personal review sessions. This helps us maximise employee potential to achieve our goals, as well as facilitating our people's personal growth.

At PostNL, we increasingly utilise data to help us identify areas where we need to attract a greater range of talent, and how to retain those already with us. After identifying talent based on performance and potential, we connect, develop and challenge them in new jobs, while planning ahead to fill key positions and adapt to the company's digital transformation.

Health and safety

Our attention in 2021 remained on ensuring that our people were both healthy and safe, enabling us to operate a well-functioning company that contributes to a society affected by the pandemic.

Our response to the pandemic involved continuing to ensure that a wide range of health and safety measures were in place to protect people against infection from Covid-19. The measures that had the greatest impact on PostNL included social distancing, limiting the number of workers in a facility, home working, and communication to help keep people aware of developments.

Internal analysis indicates that the impact of Covid-19 cases on PostNL employees is, in general, lower than that across the

Netherlands. We are satisfied with our response to the effects of the pandemic, although the adjustments we have had to make to our processes has led to challenges in service-quality levels across the organisation.

Improving our prevention

PostNL Absenteeism Percentage

2020 - 2021

Year ended at 31 December	2020	2021
Absenteeism (share of total working days)	5.9%	6.0%

In 2021 we continued to work on ways to prevent absenteeism across the company. This included the introduction of a video to give managers practical tools to help them hold productive discussions with employees, for example before absenteeism becomes an issue. During the year around 40% of the target group made use of the video, applying what they learned in practice. This resulted in a 4% decline in sick-leave notifications compared to 2020, which is 300 fewer days absence or a cost-saving of €0.1 million.

Safeguarding occupational safety

PostNL Safety As indicated

2020 - 2021

Year ended at 31 December	2020	2021
Fatal accidents	1	2
Recordable accidents (per 100 FTE)	4.0	4.7

The occupational safety of our people also remains one of our priorities. Our certified ISO:45001 management system helps us with the structured management of the health and safety of people working with or for us. This includes identifying and following up on areas for improvement. We deem the number of recordable accidents as being relatively low, compared to the exposure our large workforce has on a daily basis.

However, it is with regret that we have to report 2 occupational fatal accidents in 2021 (2020: 1). Both fatalities involved accidents with transport vehicles. These events are tragic and we remain determined to prevent fatalities, for example through initiatives that raise awareness of health and safety across the organisation, specifically targeting high-risk areas. Our recordable accident ratio in terms of the number of accidents per full-time equivalent increased to 4.7 in 2021. The period of cold and snowy weather at the beginning of 2021 led to a substantial increase in the number of accidents in our operations, despite the additional safety measures we introduce at such times.

Improving road safety

We are in the process of replacing all our two-wheel petrol scooters, which we use on 1,000 routes across the Netherlands, with e-scooters. In 2021 we had over 500 three-wheel e-scooters and over 200 e-scooters in operation. E-scooters are more sustainable, and the three-wheel versions are also safer. In 2021 our deliverers had notably fewer accidents on three-wheel e-scooters compared to the traditional two-wheel scooter, and we expect this figure to drop further as we make the transition to three-wheel e-scooters. We also started a pilot programme aimed at awareness for, training of, and engagement with our drivers to improve driving skills and road safety. The programme is also designed to improve employee engagement and reduce the amount of damage to both our and third-party assets.

“Agility is a regular topic in our performance reviews”

Fit for the future

We operate in a dynamic environment. This means that in addition to employee attraction, retention supported by diversity and inclusion, labour practices, and health and safety, we also focus on the adaptability of our workforce in order to be fit for the future.

Future-proof labour model

In 2021 we began looking into the working model at our Parcels business, with the goal of developing a future-proof, effective and sustainable design. This will help us to be even more customer-centric, enables us to maintain our high service-quality levels and stay ahead of changing stakeholder expectations.

The model will help us increase the number of parcel deliverers employed by PostNL, while further professionalising the business operations and services of our delivery partners. This includes helping them grow into operations with a larger number of routes. We expect the new model, which will be agreed upon with our delivery partners, to be finalised in the first quarter of 2022.

Developing skills for the future

We are undergoing a digital transformation across PostNL, which will enable us to better serve our customers and grow the business. To be successful, we need people who are digitally savvy and can operate in a more agile way.

In 2021 we further expanded the Digital Next Academy, a leadership programme which teaches senior and middle managers, as well as people in digital roles from across the company, about the changing demands of our customers, the latest digital technologies, new business models, and their own role in the digital world. During the year, 440 participants from senior and middle management enrolled in the academy,

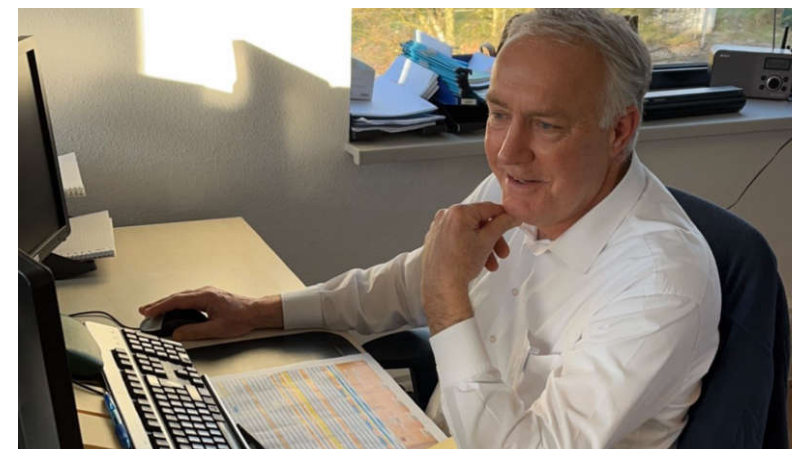
which is an important step in their journey to working in a more digitally-driven way.

We also accelerated the development of our agile operating model, which helps us work together in a standardised way within multidisciplinary teams. In four waves, 38 design teams followed an onboarding programme in the agile way of working, and many across the company now work together in multidisciplinary, agile teams. As this model expands, it will help change the way of working across the organisation, as we focus on outcomes and results, rather than hierarchy or input.

Sustainable employment

The environment we are operating in is transforming, with declining mail volume, accelerating e-commerce growth and increasing digitalisation. This transformation is also reflected within PostNL. During the year we reached an agreement with the FNV, BVPP and CNV trade unions on a new social plan, applying to all employees covered by the PostNL collective labour agreement. The social plan took effect on 1 September 2021 and will run for three years, until 31 August 2024. The social plan aims to stimulate our employees to continue developing themselves. This offers new job opportunities and job security in times of change.

To help achieve this, the plan includes a new transfer bonus for employees in job groups faced with downsizing, with the purpose of encouraging them to switch to more sustainable positions, such as in our growth markets at Parcels or Spring. There is also an early retirement scheme for employees close to their retirement age, and the mobility counselling services has been extended.



Heroes on the road

With so many employees on the road, safe and professional driving is a must at PostNL. Not just for our drivers and our customers, but for everybody. Through our 'Heroes on the road' programme, aimed at drivers and managers, we improve safety awareness and driving skills. Henk Borghuis, process manager in Hengelo, is one of our colleagues who works on this programme. "We call it 'Heroes on the road' because the goal is for drivers to take pride in their work and not just move parcels from A to B. It deals with traffic situations, driving skills and behaviour on the road. I always encourage my drivers to participate. I talk to them about their experiences, and sometimes give them advice. We need to make our drivers understand the importance of this programme, because it has an impact on so many levels. On the road, it helps to reduce traffic incidents and emissions. It helps to retain employees and improve customer satisfaction. But I'm also just glad to see our drivers enjoy their work more. And get home safely!"

SDG's



Respecting Human Rights

At PostNL, respect for Human Rights is an important precondition to be a sustainable company and good employer. PostNL is committed to protect and advance Human Rights and works vigorously to protect people against infringements of Human Rights in its operations. We respect ILO's Declaration on Fundamental Principles and Rights at Work and particularly endorse the UN Guiding Principles on Business and Human Rights.

In 2021 we followed up our Human Rights risk workshop and supplier round table discussion of 2020. Discussions progressed with certain suppliers, for example in exploring to consider diversity in our procurement practices.

At our stakeholder dialogue event in November, we held round table discussions about relevant Human Rights risks within PostNL and in our value chain.

From a selective group of stakeholders, including suppliers, customers, NGOs, investor representatives, and employees, we learned:

- It is a topic that led to many questions being raised in preliminary discussions
- PostNL has a good understanding of potential risks and seems advanced within the organisation
- PostNL has implemented a number of initiatives connected to outsourced transport, and has engaged with delivery partners for many years
- Further collaboration with value-chain partners is welcomed, as the topic is garnering greater attention
- Transparency could be improved, as it is not clear for everyone which measures we are taking.

We have many safeguards in place, as well as making improvements, throughout our organisation. And on certain areas, such as procurement, we also assess and evaluate human rights practices in our value chain.

“ In 2021 we followed up our Human Rights risk workshop ”

While we see this as a solid basis for our practices, the results of our risk workshops and stakeholder dialogues indicate that we can make further steps in taking additional responsibility.

As a result, in 2022 we will start developing and implementing a more structural company-wide approach towards human rights due diligence and management. This will aim at identification, evaluation, and mitigation of potential salient issues.

Elements of PostNL Group Human Rights Policy

Elements of PostNL Group Human Rights Policy	Subject covered	Reference to UDHR ¹
Collective labour agreements	Stimulate trade union and works council participation; work conditions; equal opportunities; remuneration; working hours and rest	Art. 20; Art. 23.1; Art. 23.2; Art. 23.3; Art. 24
Business principles	Slavery; diversity	Art. 4; Art. 18
PostNL Group Statement on Slavery and Human Trafficking	Slavery	Art. 4
PostNL Procurement policy	Freedom of association, work conditions; equal opportunities; remuneration; working hours and rest	Art. 20; Art. 23.1; Art. 23.2; Art. 23.3; Art. 24
Diversity & Inclusion Policy	Freedom of thought, conscience and religion; equal opportunities	Art. 18; Art. 23.2
PostNL pride network	Stimulate LGBT acceptance	Art. 18
Woman Inclusion Network	Support women in equal opportunities	Art. 18
ISO 45001 certification	Work conditions	Art. 23.1
Complaints and support processes	Freedom of opinion and expression	Art. 19

¹ Universal Declaration of Human Rights



Contributing to a better society

We believe in giving something back to society, in addition to our business activities. Our sponsorship policy aims to help people who need extra support to stay connected with society, and provide our employees with an opportunity to give greater meaning to their jobs. Our employees spend time on a voluntary basis and we donate the use of our materials, equipment and networks. An example is delivering of parcels to those primary schools, participating in the King's Games Sports and Party Parcel (Koningsspelen Sport en Feestpakket). Below are some important initiatives described.

Children's Postage Stamps

In 2021, we again released children's stamps, which we have issued for the Children's Postage Stamp Foundation since 1924. The stamps collect money for projects aimed at the well-being of vulnerable children.

Free delivery - Jarige Job Foundation

We continued to partner with Stichting Jarige Job in 2021. This is a foundation that provides very poor children in the Netherlands with a gift box on their birthday and we collect gifts and donations making sure they are delivered to children who need them. Each year, more than 80,000 children celebrate their birthday with the help of Stichting Jarige Job.

National Elderly Fund

In 2021 we delivered around 230,000 Christmas cards for the National Elderly Fund to elderly people.

National Coalition against Loneliness

PostNL is a proud partner of the National Coalition against Loneliness, a coalition of companies, social institutions and governmental institutions that focus on reducing loneliness in

the Netherlands. Through our presence in the heart of society, and the growth of our health activities, we have a great deal of contact with the elderly in their homes and want to help make a difference. This year we participated in a number of initiatives, including a project identifying loneliness. Fifteen of our parcel delivers and delivery partners in Rotterdam participated in a pilot that involved reporting suspicions of loneliness.

Their concerns were then taken up by the professional welfare organization DOCK and the municipality of Rotterdam. The delivers reported several serious cases. This has now been expanded across 10 municipalities in the Netherlands, covering both parcel and mail deliverers.

SDG's



Environmental value

Creating a more sustainable company means looking for new ways to cut emissions, increase efficiency, and develop green solutions. This is why we are working with our employees, our customers, and our partners to make the value chain more sustainable. To accelerate our progress, we allocate around €80 million for sustainable investments towards 2024. This will help us achieve our goal of becoming an emission-free last-mile delivery service provider in the Benelux by 2030.



Environmental value Key performance indicators and trend compared to prior year

Climate change

**CO₂ efficiency in g/km
(base year 2017)**

203

2020: 249



Climate change

Emission-free last-mile delivery

20%

2020: 20%



Performance summary

As a large logistics and postal service provider, our environmental impact on climate change and local air quality is substantial. This is why we are reinforcing our sustainability commitment by steering on our ambitious, science based targets. These are aimed to significantly reduce our GHG emissions from our own operations as well as our outsourced activities towards 2030, and therefore contributing to limit global warming to well below 2°C. In order to achieve these reduction targets, we have also set ourselves a target to deliver all parcels and mail emission-free in the last mile across the Benelux by 2030. We have set an intermediate target to deliver emission-free in 25 city centres in the Netherlands by 2025.

Carbon efficiency

PostNL CO₂ efficiency as indicated

2020 - 2022, Target 2030

Year ended at 31 December	Target		Target	
	2020	2021	2021	2022
CO ₂ efficiency (g/km)	249	205	203	186

Although parcel volume growth continued in 2021, we are pleased to report that our increased efforts to cut carbon emissions across our operations paid off. Our CO₂ efficiency in grammes per kilometre improved by 18% compared to 2020, and 10% compared to our base year 2017. And while we made progress transitioning towards an electric fleet, we significantly scaled up the use of renewable fuels, particularly across large truck transport and parcel delivery.

We are one of the first large transport companies in the Benelux to successfully implement both renewable diesel (HVO100) and bio-LNG for large trucks at scale, which also helps our suppliers build their networks. In 2021, the share of renewable fuels used for all kilometres driven by our own fleet was 34%.

In line with our strategic action plan, we continue to invest in decarbonising our operations and look for ways to accelerate this, not only to expand our current initiatives for our own fleet, but also through collaboration with our logistics partners on both electrification and renewable fuels. For example, since 1 January 2022 we are offsetting any remaining carbon emissions from our own transport and that of our delivery partners, cutting our footprint to net zero.

This is an important step on our journey to delivering emission-free in the last mile across the Benelux by 2030.

Progress on absolute emissions

PostNL Carbon footprint in Gross CO₂e

2017, 2020 - 2021, Target 2030

Year ended at 31 December	2017 ¹	2020	2021	Target 2030
Scope 1 GHG emissions ²	30	41	34	12
Scope 2 GHG emissions	0	0	0	0
Subtotal scope 1 and 2				
GHG emissions	30	41	34	12
Scope 3 GHG emissions	211	199	210	186
Total GHG emissions	241	240	244	198

1 Base year

2 2017 includes carbon offsets for buildings

We are also pleased that, in line with our CO₂ efficiency, we reduced absolute gross scope 1 carbon emissions by 17% compared to 2020. While volume growth at Parcels and our logistic networks resulted in an increase in the number of kilometres we drove, absolute emissions dropped because of the significant increase in use of renewable diesel and bio-LNG, and the roll-out of additional e-vehicles.

The electricity we do source is also sustainably generated, resulting in our scope 2 emissions being reported as zero.

For outsourced transport, our scope 3 emissions relate to networks within Parcels, logistics and international. Strong growth across these networks impacted scope 3 emissions. In total, our scope 3 emissions increased by 5.5% compared to 2020. In line with our strategic planning, we expected a slight delay in the progress of reducing carbon in our scope 3 emissions compared to our own performance. Our logistics partners often following the lead, and using the experience of large companies such as PostNL in progressing on sustainability.

We are using the experience we have with renewable fuels and electrification of our fleet to engage pro actively with our logistics partners to stimulate and so to follow our direction. In 2021 we entered in multiple discussions with delivery partners as well as large truck transportation partners on setting targets and starting their journeys towards low carbon activities. We expect this to kick-off starting 2022 in order to also start making progress on reducing our scope 3 emissions in coming years. Our total gross emissions in 2021 were slightly higher than 2020 and our base year 2017.

Emission-free last-mile delivery

PostNL Emission-free last-mile delivery Share of emission-free last-mile delivery of parcels and mail in the Benelux

2020 - 2022, Target 2030

Year ended at 31 December	Target		Target	
	2020	2021	2021	2022
Emission-free delivery by				
PostNL and delivery partners	20%	22%	20%	22%

Despite the efforts we made to accelerate the electrification of our fleet, the share of emission-free last-mile kilometres remained stable in 2021. The progress we made in absolute numbers of new electric vehicles and related kilometres was offset by volume growth at Parcels in the Benelux, which also

led to an increase in non-emission-free kilometres. Our mail deliverers make the largest contribution to our emission-free delivery, with 87% of all emission-free kilometres related to mail delivery in the Netherlands.

To illustrate some of our challenges, we faced delays replacing petrol scooters at Mail in the Netherlands and delivery vans at Parcels with electric alternatives due to longer than expected delivery times. To accelerate the transformation of our fleet, we have begun investing more rapidly in charging infrastructure at our sorting centres and are factoring in extended delivery times of vehicles, which have been delayed due to Covid-19-related issues. We are also focusing on our transition planning and early procurement of electric vehicles, where possible. This will help us make progress towards our long-term target to become emission-free in our last-mile delivery of parcels and letters.

Combatting climate change

We were proud to once again be included in the leadership index of sustainable companies worldwide in the transport and logistics sector by the Dow Jones Sustainability Index (DJSI). This benchmark evaluates listed companies on economic, social and environmental transparency and performance. We also achieved an 'A' score in the CDP benchmark, a global environmental disclosure system. This is the best score a company can get, and highlights the continuing progress we are making in environmental management.

While we are amongst the frontrunners in our sector today, we see market dynamics changing as all relevant market players in the Benelux stepping up their environmental sustainability efforts. This helps raising more awareness and stimulates technological developments and innovation. We want to stay ahead and therefore we are increasing our investments to accelerate the environmental progress towards our targets.

Meanwhile, we also decided to take responsibility for the carbon emissions we cannot reduce yet. We decided to fully offset our absolute scope 1, 2 and 3 emissions through compensation projects as of 2022. We indirectly invest in high-quality certified projects, based on established standards such as Gold Standard.

By purchasing through voluntary carbon credits we contribute indirectly to carbon reduction, avoidance and/or removals outside our value chain. And these projects also aim to contribute positively to local communities. These compensations will enable us to bring our absolute net CO₂ emissions down to zero.

In September, we held an ESG deep-dive session with investors focusing on our environmental strategy, during which we announced we will invest around €80 million up until 2024 in environmental projects as part of our longer-term strategy. These projects include the electrification of our fleet, contributing to the electrification of the fleet of delivery partners, charging infrastructure and the expansion of renewable fuels.

Sustainable finance developments

In April, we published our second Green Bond Report, which provides investors and other interested parties with an update on the green projects we have funded using proceeds from the Bond. It also outlines planned investments, the majority of which will consist of electrification of our fleet and investments in sustainable buildings. In December we successfully completed a five-year €200 million revolving credit facility. As part of this facility, the margin we have to pay is partly dependent on the successful execution of our emission-reduction strategy. This will be decided by evaluating our performance on two main indicators: the carbon efficiency of our own operations and the share of emission-free delivery in the last mile.

Four pillars in our approach

Our transition to low-carbon logistics means we are looking for new ways to cut emissions, increase efficiency, and cut the number of kilometres we drive. Besides clean kilometres, we are also working on network efficiency, sustainable buildings and facilities, and green products and services.

Network efficiency

One aspect of accelerating our transition to a lower-carbon business is by focusing on making our network more efficient and cutting the number of kilometres we drive. We can achieve this in a number of ways, such as by increasing the number of parcels delivered at the first attempt. Another way is by reducing air in parcels. The smaller the parcel, the more we can fit in our vehicles, which improves transport efficiency and sustainability.

Continuous development, testing and implementation of options for customers result in incremental but important steps in optimising network efficiency. Examples include:

- Optimised collection planning for e-commerce customers;
- Ship-from-store concept for fashion customers;
- Expansion of delivery options, such as parcel lockers and delivery preferences for consumers;
- Network collaboration, making smart use of the strength of different networks to service our customers efficiently.

Less air, better efficiency

Until recently, around half of each parcel we transported consisted of air, according to Thuiswinkel.org, a Dutch digital commerce network. That meant we were transporting and delivering almost 3 billion litres of air annually. In 2021 we continued to focus on reducing the amount of air we have to transport, and by year end an average parcel we delivered

contained 30% air, a 25% reduction versus 2020. One of the ways we achieved this was by setting up two webshops dedicated to packaging, one for PostNL customers and one for other e-tailers. By selling boxes designed to fit the size of goods customers want to send, we reduce the amount of air in parcels, which means our delivery is more efficient.

Clean kilometres

Decarbonising our own activities

To truly reduce our own environmental footprint we need to increase the number of clean kilometres we drive and travel. Although the vast majority of our last-mile mail delivery is done predominantly on foot or by bike, inter sorting-centre transport is carried out by trucks and last-mile parcel delivery by vans. Because on an average day we transport mail, parcels and goods over 1.2 million kilometres across the Benelux, we are focusing on increasing the share of renewable fuels we use as a transitional solution, as we work towards expanding the electrification of our owned and leased fleet across our networks.

As we switch from fossil fuels to a fully electric fleet, we are using renewable fuels as a transitional measure. In 2021 we scaled up our use of renewable diesel, called HVO100, on our delivery vans and large trucks across the Netherlands. As a diesel made from renewable raw materials, HVO100 produces 90% less CO₂ emissions during its life cycle compared to fossil diesel. By the end of the year, the share of kilometres driven on renewable diesel by our own fleet was 13%. We also introduced the use of bio-LNG for our large trucks in 2021, and it made up 50% of the total LNG we used during the year. This helped us increase the share of the total number of kilometres we drove on bio-LNG in large trucks to 13% in 2021. The fuels we use are certified sustainable, meet high quality standards and are made of vegetable waste streams.

Going forward, we will continue to invest in decarbonising our operations through electrification and renewable fuels. This requires us to continue taking the most effective actions, collaborating with partners, and being innovative, for example by researching the viability of hydrogen-powered vehicles. However, taking the next steps on our journey will remain demanding, for example due to delays in the delivery of materials because of the pandemic. This has led to a shortage of computer chips and extended transport times of goods shipped from Asia to Europe. With the size and range of available electric vehicles not always matching our current business model, we are also considering adapting our ways of working, where possible, to accelerate our progress.

We introduced an additional 65 electric delivery vans to our fleet during the year, bringing the total number to 137, and added 513 three-wheel electric scooters to our mail delivery network. The e-scooters save more than 220,000 litres of petrol per year, cutting our annual CO₂ emissions by more than 500 tons.

Engagement on reduction of scope 3 emissions

Throughout 2021, we have improved our data gathering and reporting processes to gain greater insights into our scope 3 CO₂ emissions, including their main drivers. Using these insights, we began engaging with logistics partners to work on reducing their emissions. Our scope 3 CO₂ emissions make up the majority of our absolute emissions.

Having informed our partners about our targets and plans, we began an electric-vehicle pilot with a number of delivery partners on their routes. We plan to expand this in 2022, increasing both the number of delivery partners and routes that use electric vehicles. We also began discussing the use of renewable fuels (like HVO100 renewable diesel) with our large truck delivery partners.



'Greener' air freight

As a Sustainability programme manager at PostNL International, it's Blíde Duk's job to try and reduce PostNL's CO₂-emissions from international freight. But for air freight, this is a particular challenge. "Transport to other countries produces high levels of CO₂-emissions", says Blíde. "The biggest challenge is that there are currently no alternatives, especially for air freight. We use chartered trucks in place of airplanes whenever possible, as this helps us reduce emissions for destinations up to 2,500 kilometres. But trucks are slower, so sometimes flying is inevitable to get mail and parcels to their destination on time."

Another important element in reducing emissions is loading the plane as efficiently as possible. "The pallets are packed in the shape of the plane's cargo hold. The less air, the more mail and parcels fit in one load." We are also collaborating with the technical university of Delft, Blíde says. "We have developed a model together that helps us choose flights that emit the least CO₂, and we are exploring the possibilities of sustainable fuels."

SDG's



We work with third-parties for most of our international transport, whether by land, air or water. In 2021 we developed a detailed calculation model for air transport, which enables us to diversify the carbon impact of shipments based on different aircraft types. This helps us consider the environmental impact when selecting transport companies or transport methods. The model, which we will roll out in 2022, will lead to greater awareness within our international business and among our logistics partners, and help us select more carbon-efficient aircraft to transport our shipments. This will help us lower our scope-3 carbon footprint.

Sustainable buildings and facilities

Our buildings and facilities are an important part of our ongoing focus on reducing our environmental footprint. We have significantly reduced the environmental impact of our buildings and facilities in recent years, and have achieved the satisfying position of all buildings being 100% emission-free. This was attained by installing solar panels on the roofs of our buildings, making a series of energy-efficiency improvements and sourcing only renewable energy.

Our new parcel sorting centre in Westzaan was built to score the highest possible BREEAM certification, "Outstanding", which means this building complies with the highest possible sustainability standards. The building does not use gas, and roof-installed solar panels will generate more than half of the electricity required to sort the parcels. We also invested in sustainable materials and installations, including heat recovery systems and LED lighting.

In addition to the buildings itself, we are also optimising the environmental performance of our activities within our sorting centres. This includes, for example, avoiding using lights whenever they are not needed. We are also reducing the waste

from our processes. In 2021, we introduced new reusable bags to store smaller items in roll containers, which reduces the amount of sealing plastic we use and cuts waste.

Green products and services

Successfully transitioning towards a decarbonised business means being reliant on the market and third parties for products that are cleaner, more efficient, and more sustainable. Examples include the speed with which electric trucks and vans are widely available, the implementation of a stable, Benelux-wide electric charging network, and the impact that air freight has on our scope 3 CO₂ emissions. To solve these issues, we need to work with our customers and partners along the supply chain, looking for ways to reduce social and environmental costs while improving efficiencies. At the same time, we need to invest in developing technologies to help accelerate the rate of change.

In 2021 we introduced a large-scale pilot in the Dutch cities of Arnhem and Nijmegen using light electric freight vehicles (LEFVs) to deliver parcels. As well as being emission-free, LEFVs can carry up to three roll containers, which can be smart-packed at the sorting centre and loaded directly onto the vehicle at the city hub. This means the parcels are unloaded efficiently during the delivery run. LEFVs also use less electricity than electric vans, and can be driven on cycle paths or roads, are highly manoeuvrable, and reduce congestion compared to vans. If the pilot's judged a success, from 2022 we will expand the use of LEFVs to more city centres in the Netherlands, as one of the initiative for more sustainable city logistics.



Frank and his LEFV

In 2025 we want to deliver emission-free in 25 inner cities in the Netherlands. To help achieve this, we have started rolling out light electric freight vehicles (LEFVs).

Frank Meijer delivers parcels with an LEFV in the Dutch city of Arnhem. "When I start at 7.30 AM, I unplug the LEFV and prepare the containers. We have a system with compartments that allows me to work quickly and efficiently. I start delivering on the outskirts of the city, and by 10 AM, when the shops open, I drive to the city centre. The advantage of working with an LEFV is that they don't use much energy, their agility and their size - I can easily manoeuvre through narrow alleys and park in small spaces. My last stop of the day is at the post office, where I deposit any parcels I couldn't deliver because people weren't in. When I cycle home at the end of the day, I'm glad that my work vehicle is emission free, just like my bike."

SDG's



EU taxonomy on sustainable activities

The European Commission has established an action plan to redirect capital flows towards a more sustainable economy. The implementation of the Taxonomy Regulation is an important step towards achieving carbon neutrality by 2050. The Taxonomy is a classification system for environmentally sustainable economic activities, which prescribes quantitative and qualitative reporting on pre-defined key performance indicators (KPIs) as of reporting year 2021. In this section we present the share of PostNL's consolidated total operating revenue, capital expenditure (Capex) and operating expenses (Opex) for the reporting period 2021, which are associated with Taxonomy-eligible economic activities related to the first two environmental objectives (climate change mitigation and climate change adaptation) in accordance with the Regulation (EU) 2020/852 as supplemented with Commission Delegated Regulation (EU) 2021/2139 and Commission Delegated Regulation (EU) 2021/2178 (EU Taxonomy).

Basis of preparation

The alignment with relevant financial statements line items is the starting point of our Taxonomy allocation methodology. The reported figures have been determined based on the allocation of activities to the Taxonomy, derived bottom-up for all reporting units of PostNL.

For all three KPIs, the figures are based on the actual amounts represented in the general ledger accounts as included in the PostNL's consolidated financial statements. In addition, the split between transport by road and air in our international business, is based on expected transport modes between countries for our trade lanes.

To avoid double-counting, we eliminated inter-company transactions, which are separately specified in our general

ledger accounts and consolidated financial statements. We did not identify any other risk of overlapping activities that could lead to double-counting for our 2021 reporting.

PostNL has implemented the Taxonomy related requirements to the best of its abilities based on the detailed regulatory documents, frequently asked questions (FAQ's) from the European Commission, discussions with peers through the PostEurope network, and where needed our own interpretation of the criteria.

EU Taxonomy KPIs

For the year 2021 PostNL reported on the KPIs total operating revenue (turnover), capital expenditures and operational expenditures. In the following table the amounts which are in scope and the percentage of eligibility are presented for these KPIs.

PostNL EU Taxonomy KPIs in € million / percentage

2021

At 31 December	As reported	Note ¹	In scope	of which eligible
Total operating revenue	3,466	2.5	3,466	86%
Capital expenditures	279	3.2 - 3.4	279	76%
Operational expenditures ²	3,168		53	100%

¹ Reference to the notes in the Consolidated financial statements.

² Total operating expenses as reported in the Consolidated income statement.

Accounting policies Turnover

This KPI covers the external revenue recognised in line with IAS 1 par. 82(a) and therefore reconciles to the 'Total operating revenue' as included in the consolidated income statement. To determine which part of the net turnover was earned by Taxonomy-eligible activities per revenue-generating activity, we assessed to which extent this activity is included in the EU

Taxonomy. The turnover that is considered to be eligible under the EU Taxonomy includes the majority of our revenue streams which are primarily related to collecting, sorting and delivering mail and parcel items. The non-eligible revenue under EU Taxonomy consist of revenue related to the transportation of mail and parcels by air, service provider activities, and the organisation of logistic activities.

Capital expenditures

This KPI covers the additions to Property, plant and equipment under IAS 16, Intangible assets under IAS 38, as well as additions (including reassessments) to Right-of-use assets under IFRS 16. From the total capital expenditures, it is assessed which portion is Taxonomy-eligible by assessing per asset-category to which economic activity this asset-category relates and to what extent this activity is included in the EU Taxonomy. The capital expenditures that are considered to be eligible under the EU Taxonomy include buildings and facilities, infrastructure for transshipments and low-carbon transport, and our fleet. The non-eligible capex under EU Taxonomy mainly relate to software and other equipment.

Operational expenditures

The denominator of this KPI consists of costs related to short-term lease, maintenance and repair, any other direct expenditures relating to the day-to-day servicing of assets, eligible for the capital expenditures KPI. Due to the nature of our business, our largest cost categories, such as labour, work contracted out, IT and depreciation, are out of scope for the denominator of this KPI. The in scope operational expenditures that are considered to be eligible under the EU Taxonomy include the relevant cost items which are related to considered capital expenditures described in the paragraph above.

Taxonomy-eligible activities

In the table below, we align the PostNL specific description of eligible activities with the descriptions of the economic activities in the Taxonomy.

PostNL activity	EU Taxonomy activity
Transport by bicycles	6.4 Operation of personal mobility devices, cycle logistics
Transport by light motorised vehicles and smaller vans	6.5 Transport by motorbikes, passenger cars and light commercial vehicles
Transport by trucks and larger vans	6.6 Freight transport services by road
Sorting activities	6.15 Infrastructure enabling low-carbon road transport and public transport
Charging infrastructure for electric vehicles	7.4 Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)
Solar panels	7.6 Installation, maintenance and repair of renewable energy technologies
Buildings	7.7 Acquisition and ownership of buildings



Financial value

PostNL provides short- and long-term financial value for its financial stakeholders, enabling them to obtain an attractive return. This is why PostNL focuses on realising a solid financial performance and a healthy financial position. This chapter outlines key developments that impacted our financial performance over 2021 and concludes with an outlook for 2022.



Financial value Key performance indicators and trend compared to prior year

Financial results and position

Revenue

in € million

3,466⁺²¹¹

2020: 3,255



Financial results and position

Normalised EBIT and margin

in € million and %

308^{8.9%}

2020: 250 / 7.7%



Financial results and position

Free cash flow

in € million

288⁺¹⁰²

2020: 186



Financial results and position

Adjusted net debt

in € million

203⁻²⁰⁴

2020: 407



Financial results and position

Dividend per share

in €

0.42^{+0.14}

2020: 0.28



Performance 2021

PostNL had an exceptional year in 2021, impacted by the pandemic. Thanks to our people and the resilience of our business, we produced strong results driven by a solid business performance at Parcels and a strong result at Mail in the Netherlands.

Total revenue amounted to €3,466 million and normalised EBIT was €308 million in 2021. Our cash flow performance was particularly strong, with free cash flow of €288 million, resulting in a further improvement of the company's financial position.

The combination of the improved profitability and stronger financial position brought our leverage ratio, being adjusted net debt divided by adjusted EBITDA, to 0.4 in 2021, significantly below our target not to exceed 2.0.

PostNL Financial highlights in € million, unless indicated otherwise

2020 - 2021

Year ended at 31 December	2020	2021
Revenue	3,255	3,466
Normalised EBIT ¹	250	308
Free cash flow	186	288
Adjusted net debt	407	203
Leverage ratio	1.0	0.4
Dividend (in €)	0.28	0.42

1 2020 restated; refer to note 1.4 to the consolidated financial statements.

In line with our capital allocation priorities, the increased EBIT and strong free cash flow allow us to invest in the growth of our business activities, including capacity expansion, investments related to achieve further cost savings, maintenance capex, investments in working capital and investments in the acceleration of our digital transformation and sustainability agenda.

Furthermore, PostNL's financial strength and its capital allocation framework allows for a share buyback programme, which we announced at the beginning of 2022, with a total value of around €250 million. This reflects our confidence in the successful execution of our strategy and how comfortable we feel about our longer-term business performance and cash-generation perspective.

Our strong financial position and strong results also enables us to pay a 2021 dividend which, based on our dividend policy, we propose to be €0.42 per share (2020: €0.28).

We will continue to focus on value creation for all our stakeholders through growth opportunities, cost-saving initiatives, accelerating digitalisation, and our environmental and social plans.

Key performance indicators

PostNL applies the key performance indicators (KPIs) of revenue, normalised EBIT and free cash flow in its management analyses and reports on profitability performance. Normalised EBIT gives a reflection of the operating income performance, adjusted for the impact of project costs and incidentals. Free cash flow gives a reflection of the Group's ability to generate cash available for acquisitions, dividend distributions and/or debt repayments.

Normalised EBIT and free cash flow represent non-GAAP financial measures and should not be viewed in isolation as alternatives to the equivalent IFRS measures, which are presented in the consolidated financial statements, but should be used in conjunction with the most directly comparable IFRS measures. Non-GAAP financial measures do not have a standardised meaning under IFRS and therefore may not be comparable to similar measures presented by other issuers.

“ PostNL had an exceptional year in 2021, driven by a strong business performance at both Parcels and Mail in the Netherlands ”

Group

In 2021, revenue increased by 6.5% to €3,466 million (2020: €3,255 million), mainly driven by the acceleration of e-commerce growth within Parcels. At the same time, Mail in the Netherlands benefited from Covid-19-related items, such as vaccination invitations and self-tests, and a recovery within direct mail offerings. In 2021, 61% of our revenue was generated from e-commerce-related activities (2020: 57%).

PostNL Business performance in € million

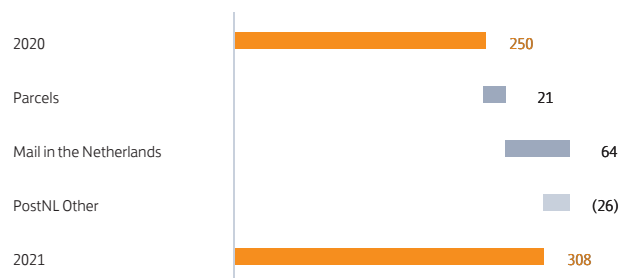
2020 - 2021

Year ended at 31 December	Revenue		Normalised EBIT ¹	
	2020	2021	2020 ²	2021
Parcels	2,052	2,361	209	230
Mail in the Netherlands	1,708	1,683	96	160
PostNL Other	108	200	(55)	(81)
Intercompany	(614)	(777)		
PostNL	3,255	3,466	250	308

1 Note: Normalised figures exclude one-offs in 2021 €(15) million and in 2020 €(49) million.

2 2020 restated; refer to note 1.4 to the consolidated financial statements.

Normalised EBIT development in € million



In 2021, normalised EBIT amounted to €308 million (2020: €250 million, restated - refer to note 1.4 to the consolidated financial statements), of which around €82 million is estimated to be non-recurring and related to Covid-19 in 2021 (2020: €77 million, adjusted to include Spring and Logistics). The resulting margin, being normalised EBIT divided by total operating revenue, was 8.9% in 2021 (2020: 7.7%).

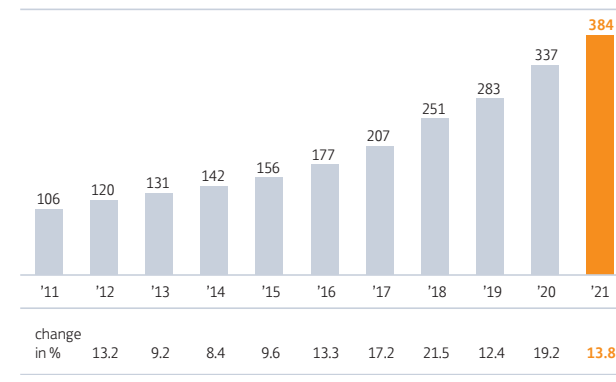
Compared to 2020, the increase of €58 million in normalised EBIT was driven by a solid business performance at Parcels and a strong result at Mail in the Netherlands, supported by additional Covid-19 volumes and some one-off effects. In 2020, integration costs of Sandd of €29 million were included in normalised EBIT (Mail in the Netherlands). Compared to 2020, normalised EBIT in 2021 includes around €(20) million higher non-cash pension expenses (PostNL Other).

Normalised EBIT excludes exceptional items, which amounted to €15 million in 2021 (2020: €49 million). Further information on the bridge from operating income to normalised EBIT is included in note 2.5 Segment information to the consolidated financial statements.

Parcels

In 2021, we delivered a record 384 million parcels, of which we estimate around 38 million to be non-recurring and related to Covid-19 (2020: 28 million). This resulted in volume growth of 13.8% (2020: 19.2%). If we exclude the non-recurring volumes related to Covid-19, volumes increased by 11.7% compared to 2020. These positive figures reflect the ongoing growth in e-commerce. Our flexible infrastructure and excellent peak season preparations prove the robustness of our business model in the Netherlands. International volumes also increased, predominantly visible in the first half year and supported by additional Covid-19 volumes. In the second half, volumes from Asia declined by 50%-60% due to the VAT regulation that came into effect on 1 July 2021, tightened regulations in China targeting fake goods, significantly increased freight costs and disruptions in the global supply chain.

PostNL Volume development Parcels in million



Revenue at Parcels grew strongly to €2,361 million (2020: €2,052 million), mainly driven by the strong volume growth, additional Covid-19 volumes, and higher tariffs partly offset by negative mix effects.



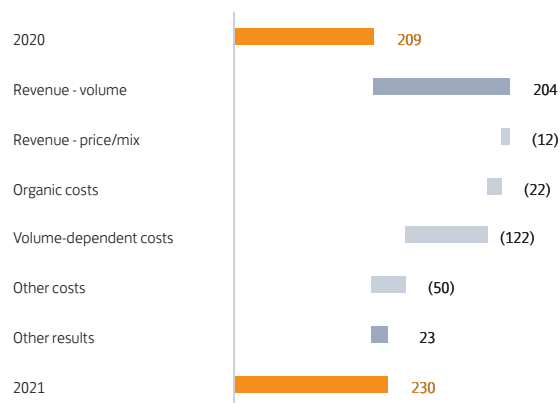
Digital Next

Digital Next is a company-wide programme to accelerate the digitalisation of our core business model and enable innovative digital business opportunities. In 2021 we invested around €18 million in priority Digital Next initiatives, from strengthening our IT and data processes, placing digital beacons on our 290,000 roll containers, enabling a truly digital supply chain, building digital channels, exploring new digital business models, to simplifying and digitalising our customer journeys.

These additional investments will help us improve the quality and efficiency of our services, as well as realise cost savings across the company through smarter digital processes. They will also contribute to delivering a distinctive customer experience and increasing customer loyalty, measured through Net Promoter Score (NPS). The Digital Next programme is expected to become accretive to ROIC as of 2023.

SDG's



Normalised EBIT Parcels in € million

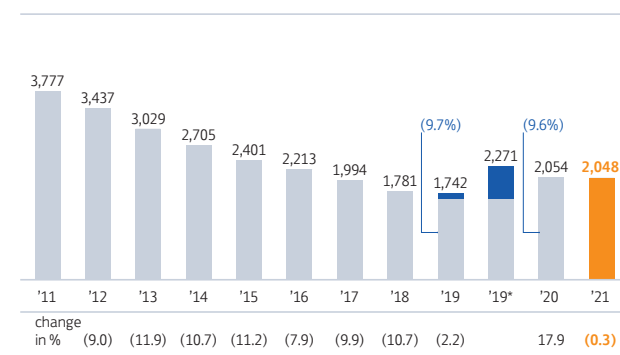
Normalised EBIT increased by €21 million, from €209 million in 2020 to €230 million in 2021, driven by a 13.8% volume increase. The volume growth resulted in €204 million additional revenues, partly offset by a negative price/mix effect of €12 million and higher volume dependent costs of €122 million, and impacted normalised EBIT positively by €70 million.

Organic costs increased by €22 million due to collective labour agreement increases, indexation of delivery partners and higher fuel costs. Other costs increased by €50 million, caused by a variety of factors such as network expansion costs, additional costs related to the December end-of-year period, additional Covid-19-related costs, higher retail lock-down fees, higher costs for IT and the acceleration of digitalisation.

The other results were up €23 million, thanks to higher overall results at Spring Europe and Logistics, driven by top-line growth benefitting from e-commerce, partly offset by lower international results from Asia volumes.

Mail in the Netherlands

In 2021, performance at Mail in the Netherlands was marked by a further decline in volumes due to substitution, partly offset by additional Covid-19 volumes and the positive impact of elections and working days. In total, we delivered 2,048 million items of mail in 2021 of which 70 million items were assumed to be non-recurring volumes related to Covid-19 (2020: 15 million).

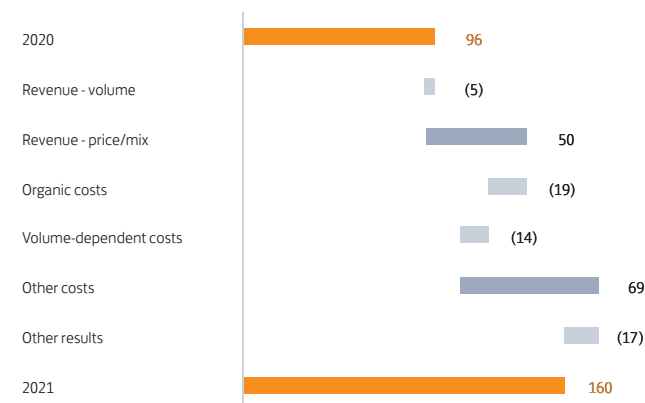
PostNL Volume development Mail in the Netherlands in million

* 2019 pro forma, including full year of Sandd volumes, adding around 30% to volume.

In 2021, the reported volume decline was limited to 0.3% (2020: 9.6%, compared with the pro-forma full year 2019 volumes of Sandd). The underlying volume decline as a result of substitution was around 5% in 2021.

Revenue at Mail in the Netherlands was down 1.5% to €1,683 million (2020: €1,708 million). The negative volume impact of €5 million was more than offset by a positive price/mix effect of €50 million. The limited volume effect was driven by additional Covid-19 volumes, whilst the price/mix effect was mainly due to higher tariffs and an increase in letterbox packages. The net positive volume price/mix effect was more

than offset by the revenue lost following the sale of Adeptiv and Cendris.

Normalised EBIT Mail in the Netherlands in € million

Normalised EBIT significantly increased by €64 million to €160 million (2020: €96 million). The net volume price/mix effect of €45 million was partly offset by higher volume-dependent costs of €14 million. Organic costs were up €19 million mainly due to collective labour agreement increases and inflation.

Other costs decreased by €69 million, which largely can be explained by additional cost savings and efficiency improvements of €26 million and specific non-recurring effects, such as the integration costs of Sandd of €29 million in 2020. Other results were down €17 million, mainly influenced by lower export volumes.

PostNL continues to implement cost saving initiatives, such as adjustments to the sorting and delivery process, streamlining of staff and centralising of locations.

PostNL Other

Revenue at PostNL Other in 2021 amounted to €200 million (2020: €108 million). This revenue is mainly intercompany revenue related to IT. Normalised EBIT decreased to €(81) million (2020: €(55) million), mainly due to higher non-cash pension expenses of around €20 million, as indicated earlier, the accounting impact of which is reversed in other comprehensive income.

Pensions

In 2021, pension expenses amounted to €161 million (2020: €145 million) and total cash contributions were €108 million (2020: €311 million) or €92 million excluding the first instalment of €16 million of the unconditional funding obligation of €80 million (2020: €111 million, excluding the settlement payment of €200 million).

On 31 December 2021, the pension fund's actual coverage ratio was 126.2% (2020: 111.1%). The fund's 12-month average coverage ratio was 121.4% (2020: 104.4%), above the minimum required funding level of around 104.0%. The remaining part of the unconditional funding obligation of €64 million at 31 December 2021 will be paid in four instalments during the years 2022 – 2025.

For further details on pensions, see note 3.5 Provisions for pension liabilities to the consolidated financial statements.

Discontinued operations

In 2021, the result from discontinued operations was €29 million (2020: €4 million). On 29 January 2021, PostNL and Mutares closed the sale of Nexive to Poste Italiane, whereby PostNL divested its retained minority interest of 20% in the entity acquiring the Nexive business. PostNL also terminated the joint venture agreement with Mutares, which resulted in the release of the remaining part of the related committed cash contributions. The transaction resulted in a net result of

€24 million (including final settlement) and cash proceeds of €27 million. For further details on our discontinued operations, see note 3.9 Assets classified as held for sale to the consolidated financial statements.

PostNL Key figures in € million

2020 - 2021

Year ended at 31 December	2020	2021
Revenue	3,255	3,466
Operating income	298	324
Profit for the period	216	258
Profit from continuing operations	213	228
Total comprehensive income	240	325
Free cash flow	186	288
Return on invested capital	17.6%	16.4%
Adjusted net debt	407	203
Consolidated equity	211	426

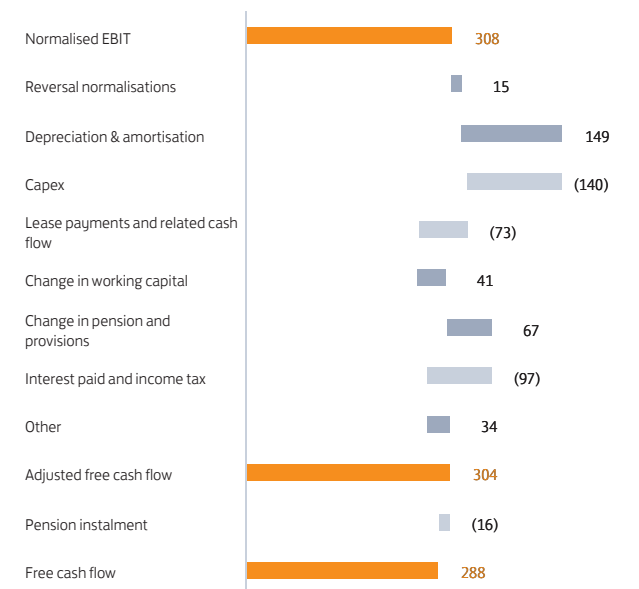
Free cash flow

Free cash flow is defined as cash flow before dividend, acquisitions, redemptions of bonds and other financing activities and after payment of leases. The repayments of leases and related cash flows, reported as cash used in financing activities following the adoption of IFRS 16, are as such included in our calculation of free cash flow.

Our free cash flow performance improved by €102 million to €288 million in 2021 (2020: €186 million). Our strong business performance, favourable working capital development, lower regular pension and provision cash out and the proceeds from the sale of Cendris were only partly offset by higher capital expenditures and increased income taxes paid.

Free cash flow in € million

2021



In 2021, cash flow included the payment of the first of five annual pension installments of €16 million. In 2020, cash flow included the net proceeds of the sale-and-leaseback transaction of €148 million and the settlement payment of €200 million related to the transitional plans.

Return on invested capital

Our aim is to generate a positive spread of the return on invested capital (ROIC) over the post-tax WACC (7.5% for the Group). PostNL defines ROIC as net operating profit less adjusted tax (NOPLAT) divided by invested capital. At the end of 2021, the ROIC for the Group was 16.4% (2020: 17.6%). The positive spread over the WACC in 2021 was +890 bps, which reflects our exceptional performance in 2021.

PostNL Return on invested capital in € million, unless indicated otherwise

2020 - 2021

Year ended at 31 December	2020	2021
Operating income	298	324
Less adjusted tax	(75)	(81)
Net operating profit less adjusted tax (NOPLAT)	224	243
Total equity	213	429
Adjusted net debt	407	203
Add back cash and cash equivalents	651	848
Invested capital	1,271	1,480
Return on invested capital (ROIC)	17.6%	16.4%

The favourable effect of the non-recurring impact of Covid-19 in 2021 largely explains the exceptional ROIC in 2021. However, if adjusted for large incidental and non-recurring effects, we would still see a positive spread over the WACC.

The decrease of the ROIC compared to 2020 is explained by an increased level of invested capital due to higher equity, partly offset by underlying improved business performance (reflected by the increase in normalised EBIT) and the above-mentioned positive incidentals.

Adjusted net debt

At the end of 2021, our adjusted net debt position amounted to €203 million (2020: €407 million). The improvement of €204 million was mainly fuelled by our strong performance on adjusted free cash flow. Reference is made to note 4.1 to the consolidated financial statements for further details on the development of our adjusted net debt position.

PostNL Adjusted net debt in € million

2020 - 2021

At 31 December	2020	2021
Short- and long-term debt	708	732
Long-term interest bearing assets	(27)	(20)
Cash and cash equivalents	(651)	(848)
Net debt	31	(136)
Pension liabilities	86	67
Lease liabilities (on balance)	294	333
Lease liabilities (off balance) ¹	66	17
Deferred tax assets on pension and lease liabilities ²	(70)	(79)
Adjusted net debt	407	203

1 The lease liabilities (off balance) are the net present value of the Off balance sheet commitments relating to leases from note 3.10 of €18 million (2020: €87 million).

2 The deferred tax assets relate for €74 million (2020: €56 million) to on balance lease liabilities, see note 3.8 Deferred income taxes, for €5 million (2020: €14 million) to off balance lease liabilities and for €0 million (2020: €0 million) to pension liabilities.

Leverage ratio

The combination of our step-up in profitability and better financial position benefited our leverage ratio, being adjusted net debt divided by adjusted EBITDA, which improved further from 1.0 in 2020 to 0.4 in 2021, both significantly below our target not to exceed 2.0.

PostNL Leverage ratio in € million, unless indicated otherwise

2020 - 2021

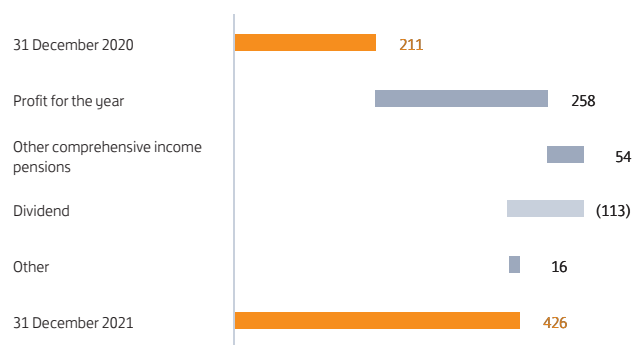
Year ended at 31 December	2020	2021
Adjusted net debt	407	203
Operating income	298	324
Depreciation, amortisation and impairments	164	149
Proxy for short-term leases and leases of low-value assets	4	4
Normalisations on EBIT	(49)	(15)
Reversal of normalised depreciation, amortisation and impairments ¹	(17)	(0)
Adjusted EBITDA	400	461
Leverage ratio	1.0	0.4

1 In 2020, the reversed normalisations related to the accelerated write-down of Sandd assets, and depreciation/amortisation related to the divestments of Spotta, Adeptiv and Cendris.

Consolidated equity

Total equity attributable to equity holders of the parent company increased to €426 million at 31 December 2021 (2020: €211 million; restated - refer to note 1.4 to the consolidated financial statements).

Consolidated equity development in € million



The increase of €215 million in 2021 is mainly explained by the profit for the year of €258 million (2020: €216 million) and a €54 million positive impact from pensions, net of tax, recorded within other comprehensive income, offset by dividend paid of €113 million. The increase in net income from €216 million in 2020 to €258 million in 2021 includes a €16 million higher result from continuing operations and a €26 million higher result from discontinued operations.

Liquidity and solvency

At year-end 2021, PostNL's cash and cash equivalents amounted to €848 million (2020: €651 million) with current assets exceeding current liabilities.

PostNL has entered into a €200 million revolving credit facility. This facility replaces the previous €400 million multicurrency revolving credit facility. With the facility, PostNL secures the availability of future financing at updated terms and lower

costs, in line with its financial policy. PostNL wants to be the driver of sustainable logistics in the Benelux. Therefore, the margin PostNL pays is partly dependent on the successful execution of its emission-reduction strategy.

PostNL has no material refinancing of short-term credit facilities or other debt. There are no financial covenants. Our latest S&P credit rating is BBB+ with stable outlook. This underpins the solid financial performance and position of our company.

Dividend proposal 2021

In accordance with our dividend policy, PostNL aims to pay a dividend that develops substantially in line with operational performance. The dividend pay-out ratio will be around 70% to 90% of normalised comprehensive income. PostNL defines normalised comprehensive income as comprehensive income normalised for incidentals in operating income/EBIT, net of statutory tax, as well as the net result from discontinued operations. In 2021, PostNL's normalised comprehensive income amounted to €285 million (2020: €200 million).

PostNL Normalised comprehensive income in € million

2020, 2021

Year ended at 31 December	2020	2021
Profit for the year	216	258
Other comprehensive income	24	68
Comprehensive income	240	325
Normalisations on EBIT (less statutory tax)	(36)	(12)
Normalise result from discontinued operations	(4)	(29)
Normalised comprehensive income	200	285

Our dividend policy states that dividend distribution is conditional on being properly financed in accordance with our financial framework. PostNL is steering for a solid balance sheet with a positive consolidated equity, aiming at a leverage ratio not exceeding 2.0 and applying strict cash flow management. This condition was clearly met at the end of 2021. As a result, PostNL will recommend to the Annual General Meeting of Shareholders a pay-out of 75% of normalised comprehensive income for 2021, being a dividend of €0.42 per ordinary share (2020: €0.28). €0.10 was paid as an interim dividend, so the final dividend to be paid in May 2022 will be €0.32 per share. This will be proposed to the Annual General Meeting of Shareholders.

We refer the reader to the 'PostNL on the capital markets' chapter for a description of our dividend policy, and the 'Financial statements' chapter for more information on the appropriation of profit.

Subsequent events

On 25 January 2022, PostNL announced a share buyback programme to neutralise the assumed dilutive impact of shares issued in relation to dividends over 2021-2023. The company will repurchase ordinary shares of PostNL N.V. to the value of around €250 million, spread over 2022 and 2023. The execution of the programme will start after 28 February 2022.

Outlook 2022

Our FY 2021 performance was extraordinary and exceeded earlier expectations. We ended the year with a strong financial position which is an excellent starting point for further growth. The execution of our strategy with strong focus on capital allocation is essential for value creation for our stakeholders.

We continue to manage our Parcels segment for profitable growth. PostNL is well positioned to capture the ongoing, strong e-commerce growth. Our digital platforms enable us to offer e-tailers and consumers greater control over sending and delivery. Our strategic focus will be on balancing volume and value by expanding our capacity to accommodate further growth.

Mail in the Netherlands is managed for value. We focus on keeping physical mail relevant with our strong nationwide network and aim to generate a stable cashflow performance. To offset the impact of ongoing volume decline, we are implementing further efficiencies across our operations and adjust our processes to realise cost savings and strengthen our services.

With our Digital Next programme, we aim to strengthen our competitive position by further building on our platforms,

connecting customers and consumers through simple and smart digital journeys.

PostNL's long-term value creation is connected to the global UN Sustainable Development Goals. We have set ourselves a number of ambitious environmental goals to combat climate change, including emission-free last-mile delivery in the Benelux by 2030.

We expect normalised EBIT for FY 2022 to be broadly in line with normalised EBIT of FY 2021, after adjusting for the assumed non-recurring impact related to Covid-19 of €82 million, based on the following main drivers:

- Volume growth Parcels of 3%-5%
- Volume decline Mail in the Netherlands of 8%-10%
- Limited impact of Covid-19 in 2022
- Organic cost development including additional inflationary cost pressure, for example energy and transportation costs
- Start-up costs of new facilities, acceleration of digital transformation and higher IFRS related pension expenses
- Cross-border activities expected to show limited recovery in first half of 2022 versus second half of 2021, resulting in full year step-down
 - lower volumes and less efficient infrastructure utilisation
 - impact global supply chain disruptions and increasing freight costs

Free cash flow is expected to be below FY 2021 due to lower reported EBIT, a step-up in investments, expected larger settlements of terminal dues, less tax cash out and non-recurring cash proceeds related to divestments in 2021.

The table below shows our outlook for 2022 on normalised EBIT and free cash flow.

PostNL operates in dynamic markets, however, and that brings opportunities and risks. Global economic developments and tightening local labour markets, combined with an increase in absenteeism, are putting pressure on cost development and are anticipated to impact performance in 2022. Uncertainty remains in relation to the impact of Covid-19 and the expected recovery in cross-border activities.

Other non-financial targets for 2022:

- Share of highly satisfied customers: 35% (2021: 34%)
- Share of engaged employees: 82% (2021: 84%, which was positively impacted by Covid-19)
- Delivery quality Mail in the Netherlands at/above the minimum required level of 95% (2021: preliminary 94%)
- Delivery quality Parcels in the Netherlands at/above 98% (2021: 98%)
- CO₂ efficiency of 186 gramme per kilometre (2021: 203)

PostNL Outlook 2022 in € million

	2021	2021 adjusted for assumed non-recurring impact Covid-19	2022	remarks
Outlook				
Normalised EBIT	308	226	210 - 240	including ~(-20) for expansion of capacity, Digital Next and increase in non-cash pension expenses
Free cash flow ¹	288		110 - 140	

¹ Cash flow before dividend, acquisitions, redemption of bonds/other financing activities; after payment of leases.

Risk and opportunity management

Doing business is an act of balancing business opportunities with risks and control activities. We have formal and standardised processes in place to support our strategy execution. Based on our risk appetite we evaluate our risk profile. For all relevant risks and opportunities we develop and implement appropriate action plans and measures.

Risk and opportunity management approach

This section provides an overview of our approach to risk and opportunity management, internal control, integrity, cyber security, privacy, asset protection and loss prevention and compliance. For the disclosures required by the Dutch Corporate Governance Code and chapter 5.1a of the Dutch Financial Markets Supervision Act (Wet op het financieel toezicht) we refer to chapter 'Statements of the Board of Management'.

Introduction to risk and opportunity management

Our enterprise risk management framework has been designed to identify and prioritise our main risks and related opportunities and develop appropriate responses. This framework is based on COSO ERM 2017 and is in line with the principles of the Dutch Corporate Governance Code 2016.

Understanding strategic, operational, regulatory, and financial risk is a vital element of our management decision-making process. Risks and opportunities are identified by means of both a bottom-up (line management) and top-down (executive management) approach, covering the entire business. For

those risks deemed material, management develops and reviews comprehensive risk-response plans. For the related opportunities we have developed comprehensive action plans.

Risk management and internal control is considered a line responsibility. All business segments and head office departments are engaged in this company-wide risk management process, which includes:

- Mandatory participation in risk management workshops by relevant management team members;
- Assessing risks on impact, likelihood of occurrence and control effort;
- Mandatory e-learning on integrity for management.

We have built a comprehensive portfolio of Group policies and controls, ensuring discipline in our business processes. These support the Board of Management in its statutory and fiduciary obligations to stakeholders in developing and achieving its strategic, operational, compliance and financial objectives.

We operate our businesses in highly regulated markets. The responsibility for ensuring that regulatory compliance objectives are achieved, and that related decision-making is supported by transparent, accurate and relevant information,

is assigned to the following head office functions: Legal, Privacy Office, Compliance, Integrity Office and Public Affairs. The Board of Management and the Supervisory Board monitor the effectiveness and efficiency of the enterprise risk management framework. They are supported by Internal Audit. Our risk management and control systems are designed to reduce the likelihood of errors, incorrect decisions and unforeseen circumstances as much as possible. It provides reasonable, but not absolute, assurance against material misstatement or loss. Although we are making improvements to our risk management and control systems on a continuous basis, we currently do not expect significant changes for the coming year.

Risk appetite

Risk appetite is the level of residual risk we deem acceptable to achieve our objectives. The risk appetite is set by the Board of Management in close cooperation with the Executive Committee, based on our strategic goals, our business principles, our policies and procedures, and taking into consideration the highly regulated markets we operate in. The risk appetite is discussed with and endorsed by the Audit Committee. Overall, PostNL's risk appetite in 2021 did not materially change compared to 2020. Our risk appetite differs per risk type.

Risk appetite	Behaviour towards risk				
	← Low	Prudent	Balanced	Considerable	High →
	Averse				Seeking
Strategic risks We aim to deliver on our strategic ambitions and priorities and are willing to accept balanced to considerable risks to achieve this.	○ ○ ○ ○ ○	○ ○ ○ ○ ○	○ ○ ○ ○ ○	○ ○ ○ ○ ○	○ ○ ○ ○ ○
Operational risks We face operational challenges which require an appropriate level of management attention. The overall objective is to avoid risks that could negatively impact our aim to achieve operational effectiveness and efficiencies.	○ ○ ○ ○ ○	○ ○ ○ ○ ○	○ ○ ○ ○ ○	○ ○ ○ ○ ○	○ ○ ○ ○ ○
Regulatory risks We strive to be fully compliant with our business principles as well as national and international laws and regulations in relation to the markets in which we operate and we do not accept deviations.	○ ○ ○ ○ ○	○ ○ ○ ○ ○	○ ○ ○ ○ ○	○ ○ ○ ○ ○	○ ○ ○ ○ ○
Financial risks Our financial strategy is focused on a strong financial position and creating long-term value for our shareholders. Our aim is to have a leverage ratio of adjusted net debt / EBITDA not exceeding 2.0 and only accept risks that do not threaten this.	○ ○ ○ ○ ○	○ ○ ○ ○ ○	○ ○ ○ ○ ○	○ ○ ○ ○ ○	○ ○ ○ ○ ○

Sensitivity analysis

We have analysed the sensitivity of our normalised EBIT for changes in our revenue and different cost items. We prepared a sensitivity analysis to illustrate the impact a single percentage point change would have on normalised EBIT.

Internal control framework

In 2021, we continued to invest in improving the design and effectiveness of our internal controls related to both financial and non-financial reporting. We are satisfied that the amount of IT-related controls we can rely on more than doubled in

2021. These relate to application controls, interface controls, and IT-dependent controls, for example in our customer-to-cash core processes. In 2022, we will further increase the number of reliable IT-related controls. We also continued to test operational effectiveness of these internal controls using our monthly internal control management self-assessment and testing process. As part of this process, management is required to follow up on risks deemed to be inadequately mitigated by internal controls, which might result from, for example, a major organisational or IT change. In some cases, this may require additional actions, including performing and evaluating

compensating controls and activities, to reduce the risks of a misstatement in the financial and non-financial reporting.

Management is required to perform self-assessments on the design and operating effectiveness of our internal control environment. This is regularly measured and monitored by the Risk Management and Internal Control department, and the results are discussed in the Internal Control Committee (ICC) meetings. The ICC is composed of the CFO, the director Audit & Security, the director Group Finance, and the director Accounting & Reporting. The external auditor also attends the ICC meetings. The ICC met five times in 2021.

Risk management and internal control reports are also discussed with the Board of Management and the Audit Committee of the Supervisory Board.

PostNL Sensitivity analysis

Driver	Change	Impact on	Amount (in € million)
Revenue PostNL	+/- 1%	Normalised EBIT	35
Revenue Parcels	+/- 1%	Normalised EBIT	21
Revenue Mail in NL	+/- 1%	Normalised EBIT	13
Cost of materials	+/- 1%	Normalised EBIT	1
Work contracted out and other external expenses	+/- 1%	Normalised EBIT	17
Salaries, pensions and social security contributions	+/- 1%	Normalised EBIT	11
Depreciation, amortisation and impairments	+/- 1%	Normalised EBIT	1

Business conduct and integrity

We are committed to sound business conduct. We therefore manage our business according to applicable laws and regulations and according to the PostNL Business Principles, which provide guidance on interaction with colleagues, customers, business partners and society in general. A company-wide integrity programme ensures that the Business Principles are applied consistently throughout the organisation.

Integrity Committee

The Integrity Committee advises and assists the Board of Management in developing, implementing, and monitoring Group policies and procedures aimed at enhancing integrity and ethical behaviour as well as preventing fraud, corruption and bribery. The Integrity Committee is composed of the director Audit & Security, the manager Integrity Office, the Corporate Security Officer, the director Legal, the manager People Development, the director Communication & Investor Relations, the director Wholesale, and the director Operations Parcels Benelux.

The Integrity Committee oversees investigations based on reports of possible breaches filed under the PostNL Business Principles, the PostNL Group procedure on whistleblowing and the PostNL Group procedure on fraud prevention, anti-bribery, and anti-corruption.

Prevention of fraud, bribery and corruption

PostNL recognises the need to have detailed fraud prevention and anti-bribery and anti-corruption policies, procedures and reporting mechanisms in place to protect our business integrity and to comply with all applicable laws and regulations. Anti-bribery and anti-corruption legislation, both in our home country and the countries we operate in, is very important for PostNL to conduct its business globally. All reported incidents

of actual or suspected corruption or bribery will be promptly and thoroughly investigated and dealt with appropriately.

The Integrity Committee advises the Board of Management and line management on the mitigation of fraud risks and on ethical, anti-bribery and anti-corruption matters. The Integrity Committee reports quarterly to the Board of Management and every six months to the Supervisory Board.

Business conduct and integrity approach 2021

The focus of our integrity approach is to regularly ensure our employees are familiar with the PostNL Business Principles. Our company-wide e-learning 2019 module on integrity has been mandatory for management and for office workers, and voluntary for production workers. The module is part of our regular onboarding programme.

Through this e-learning module on integrity we aim to educate management and employees about our Business Principles, and the desired behaviour based on these principles. As of 2021, the completion rate for this module was nearly 100%.

In accordance with the requirements of the Corporate Governance Code, we also performed an assessment connected to the organisational awareness with our business principles. The 'Employee engagement monitor 2021' addressed employees' familiarity with the PostNL Business Principles, and their perception as to whether we work according to the PostNL Business Principles. The main outcome of this assessment in 2021 showed that 86% of the responders are (partly) familiar with the PostNL Business Principles. Of this 86%, in total 60% perceive that PostNL mostly works according to the PostNL Business Principles and 16% perceive this as continuously. This outcome represents a slight improvement compared to 2020. We use the outcome of the monitor as input for continuous improvement of our integrity approach and our activities at the PostNL Group companies.

During the year we started 829 investigations in response to integrity-related issues. These investigations covered issues such as theft of mail or parcels, bribery and corruption, or failure to follow workplace practices. The investigations resulted in 172 discontinued work relationships. At year-end 2021, 67 investigations were ongoing.

The integrity-related investigations include cases of alleged (sexual) harassment and discrimination, and in 2021 we investigated 169 reported incidents connected to (sexual) harassment and discrimination allegations. We are continuously working to improve awareness on these issues, such as through direct employee communication, dialogue with line management and HR representatives, and following up on reported integrity-related incidents. We work hard to create an environment across the company where people feel safe and empowered to speak up.

In addition to case-specific investigations, we apply trend analysis to these incidents to identify recurring topics that require further preventive actions. To the best of our knowledge, in 2021 we had no cases of bribery or corruption that had a significant impact on our business.

Cyber Security

As we become more dependent on systems and data, cyber security is becoming increasingly important. We manage our digital information and processes across the organisation by ensuring that we secure the data, systems and applications that PostNL uses within its business processes. We have a Cyber Security policy in place to guide the business on how to effectively implement cyber security. To help manage our cyber security risks, we first acquire a complete understanding of the systems, data and capabilities we operate across the business. We then develop and implement appropriate protective measures, such as controlling access to digital and physical assets, providing awareness, implementing processes

to secure data, maintaining baseline network configurations and operations to repair components quickly and deploy technology to ensure cyber resilience.

We regularly perform internal control testing of IT general controls including identity & access management, change management and incident management and we have centralised processes in place to mitigate cyber security threats such as single sign-on and multi-factor authentication, patch management, firewall management and back-up and recovery management.

In 2021, we continued to explicitly address cyber security in our review of internal controls performed by our suppliers since most of our critical applications are implemented based on SaaS and Cloud principles. This assessment will be continued in 2022.

During the year we identified three cyber security incidents, all related to DDOS attacks in our operating systems. These incidents were swiftly resolved and had no direct impact on our service delivery.

Protecting data and privacy

PostNL believes that it is vital to handle the personal data of its customers and consumers with due care and adheres to all applicable laws and regulations. The most notable of these is the General Data Protection Regulation (GDPR), which is further elaborated on in the General Data Protection Regulation Implementation Act.

We have established a Group Policy on Privacy which outlines the fundamental principles we adhere to as a company regarding the use of personal data. These principles are in line with PostNL's Business Principles. We strive to provide high-quality services, in which reliability is an important factor. We therefore view the protection and careful handling of personal

data as an important precondition for further innovation and development of our services. To help achieve this, we have set up governance, processes and procedures to adequately implement the 'accountability' in the field of the protection of personal data. This includes a processing register, a reporting process for data breaches, process for handling the rights of the person concerned, implementation of data privacy impact assessments, and the application of the Privacy by Design principle in development of new processes and systems.

PostNL also established a data governance board to provide oversight on how we use and protect data. The board discussed different data-related topics, including, for example, digital ethics. To the best of our knowledge, there were no substantiated complaints received from customers in relation to breaches of their privacy.

Asset protection and loss prevention

In order to prevent any threat which could adversely affect the business of PostNL and its stakeholders, PostNL is committed to ensuring its operations are secure. The Group Policy on Security outlines the mandate of the Security function within PostNL and to define the responsibilities relating to security matters. On other words, to ensure that adequate measures, procedures, checks and balances are in place, regarding asset protection, loss prevention and security information management.

Compliance

PostNL's Group policies and procedures reflect and define the view of the Board of Management and the way we conduct our business. Performance and compliance are integral parts of our enterprise risk management approach and are monitored regularly in discussions between the appropriate line management and the Board of Management via dedicated compliance reviews, internal audits, through the monitoring duties of PostNL committees and through the

internal letter of representation. Once a year, a compliance report is presented to the Executive Committee. This report provides a comprehensive overview of compliance on various topics, which are identified based on risk, and which are assessed applying a systems-oriented approach. This is based on a maturity model and a framework of compliance control standards. Recommendations to further improve compliance at PostNL are part of this report.

For the purposes of issuing the letter of representation, all managing directors and finance directors of PostNL's Group entities and company-level management reporting directly to the Board of Management perform a self-assessment of their responsibilities in the risk assessment process, effectiveness of internal controls procedures, compliance with laws and regulations, and financial and non-financial reporting process. The signed internal letters of representation are the basis for the letter of representation that the Board of Management signs off as part of the audit by the external auditor.

Main risks and opportunities

PostNL Strategic risks and opportunities

Topic	Key material topic	Risk level	Trend	Risk summary	Opportunity summary
Competition	Financial performance and position	● ● ●	▬	Pressure on market share, volumes and pricing impacting revenues and profitability	Outperforming market with high delivery quality and network coverage Investments in Digital Next and initiatives to increase our customer satisfaction
Substitution	Accessible and reliable postal services	● ● ●	▬	Acceleration of decline in physical mail impacting revenues and profitability	Demonstrating the value of physical mail as relevant communication channel for customers Stimulate growth in mailbox gifts
Implementation of strategic change projects	Digitalisation and data	● ● ○	▬	Delay in digital transformation and achieving our business objectives due to challenges with executing a broad range of large change projects at the same time. This may impact our medium-term targets on customer experience and operational efficiency	Strengthening our governance, capabilities and investments in digital domain as foundation for acceleration of our digitalisation Solid prioritising initiatives to shorten time to market of relevant changes through our agile operating model and customer journey factory
Climate change	Climate change	● ● ○	↑	Failure to achieve our long-term carbon emission reduction targets can have adverse impact on our licence to operate, reputation and financial performance	Accelerate our decarbonisation based on dedicated investments, innovation and collaboration with partners Enhance communication based on achievements and strategy to promote PostNL as sustainable company.

PostNL Regulatory risks and opportunities

Topic	Key material topic	Risk level	Trend	Risk summary	Opportunity summary
Regulatory compliance	Accessible and reliable postal services	● ● ●	▬	Non-compliance with current or inadequate adaptation with future laws and regulation adversely impacting business operations, our reputation and on our financial performance	Continuing management focus on interpreting and implementing new and revised regulatory requirements and anticipating on potential impacts Continuous dialogue with governmental and non-governmental stakeholders about compliance requirements to manage our compliance effectively.

PostNL Operational risks and opportunities

Topic	Key material topic	Risk level	Trend	Risk summary	Opportunity summary
Execution of cost saving initiatives	Engaged people; Accessible and reliable postal services	● ● ●	==	Unsuccessful or delayed cost saving initiatives, impairing cost savings and employee engagement	Use our experience in realising cost savings as example for implementing other similar initiatives. Job mobility opportunities from Mail to Parcels
Information technology	Customer experience; Digitalisation and data	● ● ○	==	Ineffective IT management systems leading to issues in e.g. availability, integrity, and confidentiality may impair the quality of our business processes, cost effectiveness and/or reputation	Phasing out legacy systems and becoming more data driven to enhance insights for PostNL and customers faster, more accurate and more meaningful
Employee attraction, development and retention	Engaged people; Health and safety	● ● ○	↑	Lack of motivated employees due to a tight labour market and/or not being an attractive employer	Strengthen employee branding of PostNL to promote the company as attractive employer, for example on digitalisation and the successful approach towards dealing Covid-19
Network peak capacity	Customer experience; Engaged people	● ● ○	==	Operational failures, disruptions in logistic processes and capacity constraints due to substantial increased volumes in our parcel business, impairing business continuity, customer satisfaction and employee engagement	Creating flexibility in our network capacity enabling us to scale up or down swiftly in response to market volatility.

PostNL Financial risks and opportunities

Topic	Key material topic	Risk level	Trend	Risk summary	Opportunity summary
Total cost of labour	Financial performance and position	● ● ○	↑	Higher than anticipated total cost of labour and opportunity costs due to operational disruptions	Realising agreements with trade unions on mutually beneficial conditions based on good relationships Timely and effective updating collective labour agreements for our people
Funding ratio pension fund	Financial performance and position	● ○ ○	↓	Economic climate and demographic variables may negatively impact the funding ratio, pension provisions or additional funding obligations	Using a healthy financial position of the pension fund to provide a stable and inflation-adjusted pension for our (former) employees
Financial risk management	Financial performance and position	● ○ ○	==	Exposure to claims for loss or damage adversely impacting our financial performance	Improving our financial position to increase credit ratings
Liability for loss or damage	Financial performance and position	● ○ ○	==	Exposure to claims for loss or damage adversely impacting our financial performance	Using data and analysis to identify the most impactful improvement areas in our security and quality levels.

Strategic risks and opportunities

Competition

Competition continues to put pressure on our market share, volumes, and prices in the e-commerce related activities, which could have an adverse effect on revenues and profitability. Three main areas in the competitive landscape relate to developments by established logistics players, new entrants with new business model, and the rise of platform business. Our largest established competitors are expanding their network capacity and coverage, which enables them to capture growth in line with the market and from increases in multi-vendorship by large e-tailers. New entrants with significant funding are disrupting the traditional market with innovative, digital and data driven business models, to attract both smaller and larger customers based on customer experience. Large platform businesses are becoming more dominant leading to concentration of volumes and increased purchasing power. In addition, value chain integration is developing fast, enabling parties to offer distinctive customer experiences.

Mitigation:

- Margin management, efficiency improvements, leveraging from economies of scale
- Significant investments in our network, accelerating digitalisation, and furthering sustainability across the company in order to improve NPS
- Multiple commercial initiatives, including service level differentiation, (new) products and pricing, and quality improvements in relation to network coverage and operational excellence
- Be even more customer centric in improving our business with the customer journey factory.

Further information regarding competition can be found in the chapter 'Our strategy'.

Substitution

The ongoing trend of increased digital communication in society, is leading to continuing decline in the physical mail market. Faster than anticipated volume decrease could impact the ability to deliver accessible, reliable and affordable postal services. Volume decline could impact our revenue and profitability. And it could require PostNL to adapt our organisation faster than anticipated, leading to higher cost of change and challenges in our quality levels.

While the market decline in the Netherlands has been offset due to non-recurring additional volumes as result of Covid-19, the underlying substitution is ongoing. In 2021, we have indications that the underlying pace of market decline has somewhat slowed down. The sensitivity of our normalised EBIT for changes in addressed mail volumes amount to approximately €7 million based on a market decline by one percent.

Mitigation:

- Taking commercial initiatives to slow down or adapt to substitution, for example introducing of a range of new services and solutions, and the rationalisation of existing services and solutions
- Updating our business model based on flexibility to respond to future volume decline
- Marketing the value of physical mail in combination with cross selling, for example helping e-commerce players discovering the power of physical direct mail.

More information can be found in the chapter 'Customer value'.

Implementation of strategic change projects

To make progress on the three elements our strategic foundation, we are implementing different strategic changes simultaneously. Not making sufficient progress on any of our pillars will negatively impact our growth, profitability, operational efficiency, cash conversion, required cost savings at MailNL.

Implementing strategic changes requires focus on effective stakeholder and project management in order to adequately prioritise the allocation of resources. Organisational agility is also key to anticipate on short term developments and changes in business needs. Due to a tight labour market, hiring sufficient people to implement change projects is challenging and put our capacity to change at desired pace at risk. Ineffective organisation of change may cause delays in projects and suboptimal solutions. Delays in planned improvements in line with our ambitious digitalisation programme will negatively impact our competitive position as PostNL may not be able to keep up with the pace of technological development in the logistics sector. Implementing strategic change projects inherently increases the risk of temporary ineffective internal controls. More information can be found in the chapter 'Our strategy'.

Mitigation:

- Generating stable and sufficient cash flow to allow for acceleration of our digitalisation through significant investments
- Strengthening our governance, capabilities and organisation through formalising and expanding our digitalisation activities in a new business unit.

Climate change

The growth of our business not only means we require more energy for our buildings and transport, it also places greater urgency on reducing our greenhouse gas emissions. We have set ambitious targets towards 2030 to significantly decarbonise our business, and have identified three key risk factors that could impair our ability to meet these targets. 1. Our dependency on reducing the emissions of outsourced transport, which accounts for a significant percentage of our transport activities. 2. Our dependency on technological innovations, such as the availability of zero emission or low-carbon vehicles, and the availability of the correct loading infrastructure and energy. 3. The agility of our logistics business model, particularly at Parcels. Not being able to adapt our business and operational model in a commercially viable way in time to meet the increasing expectations of customers and society in general will negatively impair our reputation and financial performance. This could lead to a loss of revenue based on customer decisions, and increase costs due to expensive investments or carbon taxes.

Mitigation:

- Executing and refining our concrete action plan in the short, medium and long term towards our target year 2030, focusing primarily on the transition towards an electric fleet and renewable fuels as a transitional measure to cut carbon.
- Continue to enhance the sustainability and energy efficiency of our buildings and facilities
- Realise network efficiencies through innovative solutions to cut the number of kilometres we travel, and become less carbon intensive in our operations
- Collaborate with customers on reducing greenhouse gas emissions in the value chain, for example by developing green products and services
- Use sustainable finance to stimulate our environmental investments.

Regulatory risk and opportunities

Regulatory developments and compliance

The regulatory requirements are increasing and becoming more complex in the markets we are operating in. These regulations relate to a broad range of topics, such as but not limited to tariff regulation, competition law, regulation related to dangerous and prohibited goods, customs regulations, labour practices, data protection and privacy as well as environmental. Changes in regulatory requirements could materially impact our business activities, such as we have seen as a result of the abolishment of the VAT exemption of goods imported to the EU as of 1 July 2021 on our international volumes.

In relation to our responsibilities as designated operator under the Universal Service Obligation (USO) for mail in the Netherlands, changes in the postal law (which are in development), and ruling on the Sandd take-over and Article 47 may lead to additional operational costs for example as result of tariff regulation. It may also impose additional legal and administrative costs.

Compliance with laws and regulation is essential and important to demonstrate our commitment to sound business conduct and maintaining our license to operate. Misinterpretation of new or changed regulations or ineffective internal controls could lead to non-compliance. This may lead to sanctions such as fines and business restrictions which could materially negatively impact our financial performance, continuation of services to customers and our reputation.

Mitigation:

- Continuous implementation and improvement of appropriate policies, processes and internal control procedures to limit exposure to complex legal and regulatory requirements, such as competition law, labour-related laws and regulations, USO requirements and anti-bribery acts
- Operating a robust integrity programme that includes business principles and creating awareness
- Have dialogues with governmental and non-governmental stakeholders on continuous basis about interpretation of, and compliance with regulations, for example in relation to the USO regulations on national and EU levels
- Timely adapting our operations to changes in the legal and regulatory requirements.

Operational risks and opportunities

Information technology

Information technology (IT) is vitally important to our business and we are increasingly depending on it. Threats to the availability, confidentiality or integrity of our IT networks, systems or (customer) data caused by IT disturbances, cyberattacks or lack of appropriate security and infrastructure measures may disrupt our business activities. Given our full (public) cloud strategy, weaknesses in the IT and cyber security of our cloud suppliers may also harm PostNL and our customers. IT or cyber-related issues may disrupt operational processes and systems and therefore negatively impact our ability to provide our services timely with sufficient high quality. It may also result in loss or theft of customer data, material cost increase, penalties, as well as damage our reputation.

Mitigation:

- Professional and dedicated IT and cyber security management at group level supported by decentral cyber security coordinators on all relevant IT systems used by PostNL including continuous improvement based on issues identified and IT and cyber related developments
- Management of cloud suppliers through robust assessments based on a strict control framework
- Improvements in our data management based on monitoring and steering by our Data governance board
- Evaluating and improving the resilience of critical applications based frequent measurements and testing against stringent criteria, and implementation of action plans to keep our applications up to date
- Continuing to phase out legacy systems to improve the overall IT application and infrastructure stability.

Execution of cost saving initiatives

Due to market decline in our mail business, realising cost savings is one of the key elements for a sustainable mail business. Examples include streamlining of our workforce, enhancing the efficiency of our infrastructure, and reducing overhead cost. Delays in or ineffective execution of cost saving initiatives could lead to inefficiencies, negatively impact the quality of our services, including our required delivery quality levels, as well as impacting the employee motivation levels. These may result in lower profitability and cash flow, and damage our reputation.

Mitigation:

- Cost savings projects are executed via enhanced programmes and are monitored continuously by a programme office. Mechanisms to adjust to changing circumstances have been implemented and are reviewed periodically. Execution via pilots and in close collaboration with the Works Council enables smooth implementation on a larger scale
- Acceleration of our digitalising of our core logistics processes and systems as well as commercial engine to increase the pace of changes with limited temporary impact on our business.

Additional information on these initiatives can be found in the 'Customer value' chapter.

Employee attraction, development and retention

People are at the heart of the services we provide to our customers. The labour market has become extremely tight, especially for operational and IT related positions. Inherent to PostNL's business, the employee turnover rates are relatively high compared to other sectors. These factors impose risks for PostNL in attracting, developing and retaining qualified personnel. The alternation in relieved and tightened Covid-19 restrictions in 2021 as well as higher absenteeism levels due to the pandemic contributed to an even bigger challenge to fill our open vacancies. In a big battle for talent in our markets it is important to be distinctive and attractive as an employer.

Mitigation:

- Innovation through online recruitment techniques and are continuously improving the employee experience, for example by investing more in employer branding in addition to recruiting for individual jobs
- Prioritising the safety and well-being of people more effectively in challenging times to demonstrate the care for our people
- We continue to invest in training, health and safety measures, people development and employee retention
- Scarcity in the labour market related to high profile IT and Finance functions remains challenging. To increase PostNL's attractiveness as an employer, we are investing in branding for potential employees as well as retraining and development of our current staff.

Network peak capacity

The continuing volume growth at Parcels has been putting pressure on our network capacity and imposes higher risk of operational failures, for example due to disruptions in logistic processes. It also increases the risk of capacity constraints across our locations. This is particularly acute during the peak periods when our networks operate at full capacity. In case of major business disruptions, we may not be able to fall back on our regular business continuity measures. Structurally operating at full capacity may also lead to negative effects on employee motivation, commitment and eventually absenteeism.

The volume growth in our Parcels business during the pandemic resulted in greater pressure being placed on our network and people, especially during the period building up to Sinterklaas and Christmas. The alternation in relieved and tightened Covid-19 restrictions in 2021 (which may continue in 2022) increased the volatility in the market including pressure on our network capacity which required flexibility of PostNL to scale up or down swiftly in response to the government announcements.

Mitigation:

- Increase network capacity in line with projected volume growth through new locations, permanent or temporary, and business model innovations such as the introduction of a new way of working in our small parcels sorting centre
- Looking for operational efficiencies on continuous basis to create incremental capacity in our existing locations and in our transport
- Updating our future logistics labour model to allow for further growth while improving our quality levels and customer experience
- Collaborating with partners in the e-commerce value chain to manage volume expectations better and lower the extremes in our peak moments
- Putting the health and safety of our people first to keep our workforce healthy and ensuring continuous operations of all locations during the Covid-19 pandemic.

Financial risks and opportunities

Total cost of labour

Being a good employer is vitally important to us. One aspect of this is the terms and conditions under which we hire our personnel and employ outsourced labour. These terms and conditions, including salaries and other secondary benefits, represent a substantial expense for our company and is an important component of our operating model. Our financial performance could be affected by higher than anticipated total cost of labour and/or other related losses. In addition, opportunity costs due to operational disruptions as a result of action from trade unions and/or actions triggered by media attention. This could further undermine our financial performance.

Mitigation:

- Maintaining good relations with trade unions and social partners based on mutual recognition of shared interests. In addition, we are evaluating the sustainability and financial feasibility of our labour model and are researching alternative solutions to make it future-proof.

Financial risk management

We are exposed to a variety of financial risks, such as currency risk, interest rate fluctuations, credit risk, liquidity risk, price risk and cash flow risk. These risks can have an adverse effect on our financial position and results. This also impacts the valuation of the pension provision.

Mitigation:

- Using various techniques and financial derivatives to mitigate financial risks, which arise in the normal course of business. Examples include hedging both currency and interest rate risks in accordance with the relevant Group policies
- Improving our financial position allows us to accelerate the digitalisation of our key activities
- Focusing on being able to pay dividend, underscoring our significantly improved financial position.

For more information, see the financial statements.

Funding ratio pension fund

Actuarial assumptions, such as discount rates and demographic variables, have an impact on the valuation of employee benefit plans. A decrease in equity returns or interest rates may negatively affect the funding ratios of our pension fund, which may lead to an increase in the pension provision, or in multi-year additional funding obligations.

Our pensions retain an element of vulnerability. A materially bad economic climate, combining lower interest rates, declining pension fund assets and material increases in life expectancy, could still negatively impact cash and equity. In 2021, the 12-months average funding ratio increased from 104.4% per year end 2020 to 121.4% per year end 2021. This decreased the current risk of a new recovery plan, but may become opportune in the future. The actual year end 2021 funding ratio was 126.2%. In addition, the intended comprehensive change in pension legislation may lead to financial transition effects.

Mitigation:

- Holding open and regular discussions with the pension fund trustee board, which is independent of PostNL
- Managing the volatility risk of our pension provision through updating our finance agreement with the pension fund. Considering the resilience of the fund, analysis shows sufficient headroom before our financial position is materially impacted by pensions
- Pro-actively engaging with all relevant stakeholders on the impact of the anticipated new pension legislation, both from a regulatory and financial perspective.

Liability for loss or damage

We are exposed to claims for loss or damage. Some of these exposures are covered under conventions such as the United Postal Union, the Warsaw Convention or the Convention on the Contract for the international Carriage of Goods by Road, as well as PostNL's general terms and conditions. Claims for loss or damage not covered under these conventions or PostNL's general terms and conditions may negatively affect our financial performance. Our exposure to this risk is increasing as a result of the growing volume of e-commerce parcel deliveries in our portfolio, which on average are higher in value.

Mitigation:

- Maintaining insurance policies in relation to our business and assets with reputable underwriters and/or insurance companies against claims for loss or damage to the extent not covered by conventions, and to the extent that is usual for companies like ours
- Strengthening physical security management through a dedicated steering committee 'loss prevention'.

Main risk events and emerging risks

Main risk events that occurred in 2021

We have identified two main risk events impacting PostNL in 2021.

Impact of Covid-19 pandemic

Having operated in an environment dominated by the pandemic since 2020, during the course of 2021 we began returning to more normal conditions. Our focus on expanding our network throughout 2021 helped us avoid issues with customer volumes during the year-end peak. Volume at our Parcels business continued to grow. As expected, this growth was partly offset due to the reopening of non-essential stores and more people going on holiday during the summer. In addition, disruptions in global supply chains also impacted international e-commerce volumes in the second half of the year, for example due to higher transportation costs and delays in production and supply of goods from the Far East.

Regulatory developments

In the second half of the year, international volumes were more heavily impacted than expected by VAT e-commerce rules introduced in the European Union (EU) on 1 July, and e-commerce law updates in China, aimed at preventing companies from selling fake products online. This put pressure on the performance of both Parcels and Mail in the Netherlands.

On 20 November a number of locations in Belgium were inspected by the Belgian authorities which led to the temporary closure of our location in Wommelgem. The inspections were done as part of an investigation that started earlier in 2021, with charges filed against PostNL, GLS and a number of delivery partners. The court hearing in these cases is expected in the third quarter of 2022.

Emerging risks

Our executive management has considered the following main risks which may emerge in 2022 and beyond and related mitigating measures:

Market disruptors: We may not be able to keep up with the pace of technological development in the logistics and transportation industry and may find it difficult to compete in our core markets if one of the 'tech giants' decides to enter the Benelux market with a new product/service offering based on disruptive new technology, and engages in direct competition with PostNL/decides to integrate PostNL's network into its operations. Our financial performance and position may be materially impacted should this risk occur.

We serve our customers with three core activities: collection, sorting, and delivery. Digitalisation helps us sharpen and improve these activities. In this way, our customers can count on smart logistics solutions and stronger customer experiences. Investing in further digitalisation, data analysis, and innovation of our products and processes helps increase our overall economic productivity. This enables us to remain a relevant and competitive player in the postal market in the future. For more information see the 'Customer value' chapter.

Climate change adaptation: Climate change is an increasingly important topic on the agenda of society and of PostNL's stakeholders. While the main focus of many has been on mitigating climate change, the effects of climate change on society are becoming more apparent. Acute and chronic extreme weather events are increasingly affecting society, for example the destruction caused by floods in the Benelux area and extreme heat leading to forest fires in the south of Europe in 2021.

Such events may lead to business disruption, devaluation of assets or cost increases for insurance and protection against

climate-change events. While there is continuing uncertainty about how climate change will evolve, we have performed an initial climate risk assessment to evaluate the impact on PostNL in different scenario's. While we currently have no indication that adapting to climate change will materially impact PostNL in the coming 3 to 5 years, we plan to take additional steps in our risk assessment for the longer term, looking at both our operations and those of our partners along the value chain.

Regulatory compliance management

Our approach

Introduction

We view compliance with all relevant laws and regulations as an integral part of doing business. Business management is responsible for ensuring adherence to regulatory requirements as well as monitoring performance, and is supported by staff functions. Compliance forms part of our internal control and governance frameworks.

At PostNL we have identified more than 30 relevant compliance areas requiring our management's attention. Depending on the business activities of our entities, different compliance areas need to be managed, including but not limited to Dutch postal law, competition law, transport regulations, tax regulations, data protection and privacy regulations, and labour and social laws.

In relation to sustainable development, stakeholders increasingly expect large companies such as PostNL to lead by example through their influence on value chains. This means that beyond compliance in relation to direct activities, we are expected to stimulate and in some cases assume responsibility for the compliance of our business partners.

This applies to areas such as transport and handling of dangerous goods, environmental compliance, responsible (international) procurement, Foreign Nationals Employment Act (Wet Arbeid Vreemdelingen), and the Labour Market Fraud Act (Wet Aanpak Schijnconstructies).

Our framework

Applying a compliance management cycle

We manage compliance in a management process based on a compliance framework. Dedicated compliance officers facilitate and challenge management on a regular basis on different elements in the cycle. First, relevant compliance areas are updated in collaboration with the business. For each area, the required maturity level of our compliance management is determined based on a maturity model. The level of compliance management may vary depending on the size, exposure and risks for different entities. We then evaluate, based on the COSO framework, how compliance can be demonstrated for each relevant area per reporting entity through our risk management, internal control and internal audit processes. And as a final step we assess and report the status of compliance to both line management and our formal governance bodies.

Status and summary of main developments in 2021

Based on our internal control assessments and internal audit findings, for the vast majority of laws and regulations we did not identify relevant deficiencies relating to compliance-mitigating activities that require follow-up. We identified the following two areas for improvement: compliance in our value chain and implementation of the Three Lines Model.

Compliance in our value chain

Responsibility along the value chain has become an increasingly relevant topic in the public arena. As a large company, we want to proactively contribute to improvements

in our value chain across a broad range of topics, even though this goes beyond our own responsibility under applicable laws and regulations. We believe our efforts are important because they can help limit the risk of issues impacting our people, our customers, and the company.

Based on a number of events that took place during the first half of 2021, we concluded that some domains require additional investigation and improvement. This related in particular to the Foreign Nationals Employment Act (Wet Arbeid Vreemdelingen), the Labour Market Fraud Act (Wet Aanpak Schijnconstructies) and the situation in Belgium relating to labour and social laws.

Improvements include more stringent compliance checks at the logistics partners we do business with. In 2021, we began making process and IT improvements to better facilitate these checks. In Belgium, we established a dedicated project team that has started engaging with a range of relevant stakeholders on possible improvements that can be implemented across the sector, as well as developments relating to potential new regulations.

Three Lines Model

There are a variety of different ways in which a company can ensure compliance, including the division of roles and responsibilities, their setup and how they are carried out. Because we view compliance as an integral part of our business, in 2021 we took the decision to begin moving to the Three Lines Model.

The model is based on explicit divisions of responsibility between the first line (the provision of services to customers and managing risk), the second line (expertise, support, monitoring and challenging) and the third line (internal audit). Line management is responsible for both the first and second line. The model, which helps build management awareness on how to manage compliance, will be gradually implemented in 2022.

Main compliance events in 2021

PostNL engages continuously with regulators, oversight bodies and other stakeholders about events and other regulatory developments that impact the company, and on those areas in which we impact society. This section outlines the main regulatory compliance areas, including those listed in the summary above, that impacted PostNL during 2021.

Delivery quality Mail in the Netherlands

The Postal Decree 2009 prescribes a next-day delivery level of 95% for consumer mail, funeral announcements and medical mail. In 2019 and 2020, PostNL realised a score of 94%, just short of the target level. PostNL is required by to report these scores to the ACM.

2019

2019 was a special year in which PostNL was permitted to take over Sandd. The scoring was on track but was heavily affected in the last quarter by the unexpected breakdown of the Sandd network, although all efforts were made to keep the Sandd network fully functional until 1 February 2020. The period after the closing of the transaction on October 22 was necessary for a careful integration of Sandd employees and customers. The unexpected breakdown of the network at the end of 2019 led to substantially more Sandd volume in the PostNL network than had been planned, which influenced our

performance. Nevertheless, ACM imposed a fine of €2 million. PostNL considers that ACM has insufficiently taken on board the one-time circumstances in 2019. The only alternative open to PostNL at the time was to leave a large proportion of the Sandd network mail untouched, which would have resulted in many undelivered letters. PostNL chose not to follow this alternative, as consumers expect an accessible, reliable and affordable postal service. That is why PostNL is appealing the decision issued by ACM.

2020

We are proud to have given continuous service in 2020 despite the challenging adjustments we had to make to ensure safe working conditions during the diverse phases of the COVID-19 pandemic. The impact of the COVID-19 pandemic on this quality performance indicator has been discussed with ACM. On 28 December 2021, ACM published its decision on the quality of service for 2020. Regarding the next day delivery, ACM concludes there are sufficient leads to determine that the situation was beyond PostNL's control and ACM will refrain from taking any measures.

2021

At Mail in the Netherlands, we delivered 94% of consumer mail by the next delivery day in 2021, below the regulatory requirement of 95%. Our quality levels were affected in a number of ways throughout the year. Extreme weather conditions, mainly in February, impacted our service, as did the ongoing Covid-19 pandemic as we had to make challenging adjustments to our processes and faced higher absenteeism levels. Meanwhile, the strict lockdown at the beginning and end of 2021 led to retail outlets closing or operating with reduced opening hours, which had an impact on our planning and quality. Despite these challenges, we are proud of the tremendous efforts of our people to continue our mail service throughout the entire year. Our focus is to return to delivery quality levels of 95% or higher as quickly as possible. However,

as of publication date of this report, we are still dealing with the Covid-19 pandemic. This inevitably has consequences for our processes, as we continue to put the safety of our people first. We have also seen that consumer behaviour is less predictable during the lockdowns, which we have to respond to.

At the beginning of 2022 we had higher levels of sick leave because of the Omicron variant. Going forward, we will continue to make our processes as capable as possible of absorbing major shifts in supply and demand, while communicating clearly and transparently to customers and consumers about changes or developments.

Dutch labour inspectorate

PostNL is in regular dialogue and collaboration with the Dutch labour inspectorate throughout the year, discussing developments in labour regulations and inspections both within PostNL and among its delivery partners, to which we outsource some operational activities.

At Parcels in the Netherlands, we have been implementing a range of initiatives to improve labour practices as well as compliance with laws and regulations in our value chain for a number of years. One example is the switch from self-employed deliverers to professional delivery partners employing deliverers through labour contracts. A second example is developing and implementing a programme to structurally assess compliance with the Labour Market Fraud Act (Wet Aanpak Schijnconstructies) at all delivery partners we work with through independent audits on labour contracts and payment in accordance with applicable collective labour agreements.

The learnings from our own assessment results as well as feedback from the labour inspectorate help us to keep improving our controls.

In 2019 the labour inspectorate noted several breaches with the Foreign Nationals Employment Act (Wet Arbeid Vreemdelingen) at some of our delivery partners. Despite PostNL not being the legal employer of the employees concerned, we are accountable for labour practices as part of the chain of responsibility. The breaches related to people without legal status in the Netherlands and people without identification papers. Based on the findings, the labour inspectorate imposed a fine of €288,000 on PostNL in 2021. We have filed an objection against the decision of the labour inspectorate. In light of the case outlined above, we have started implementing additional measures across our operations in collaboration with our partners. To prevent any recurrence of such situations, we have for example increased our control on identity checks of truck drivers. We also maintain close contact with the inspectorate to discuss the developments in this area.

Belgium social and labour law

The sharp growth in e-commerce services we provide in Belgium has been reflected in both the number of delivery routes we operate and our exposure in the country. As we have chosen for a model where delivery partners distribute our parcels for us, this has led to an increase in the number of delivery routes performed by the delivery partners we work with.

Currently, around 80% of the 1,400 deliverers that distribute our parcels in Belgium are employed. They work for the 220 Belgian companies we have entered into a sustainable partnership with to realise delivery. We only work with companies that work in accordance with all applicable laws and regulations, and as a commissioning company, we provide fair compensation and offering sustainable partnerships. Although this works well in the vast majority of cases, in 2021 the labour inspectorate in Belgium noted alleged breaches with applicable social laws and regulations while carrying out their inspections. Based

on their findings, charges were filed against PostNL for false self-employment, illegal posting of workers, as well as being an accomplice for not paying social contributions in these cases. This is despite PostNL not being the employer of the people concerned. The court hearing in these cases is expected in the third quarter of 2022.

We have many controls in place in relation to the cooperation with our delivery partners but as a result of the inspection, and in consultation with the labour inspectorate, we have further increased our control efforts and implemented them. Examples include access control at our premises for each delivery partner employee and checking the delivery partners' employees' registration at the government agency for social contributions. We like to emphasize that the vast majority of our delivery partners are professional and apply the same standards on social compliance as PostNL. When we detect non-compliance, this may lead, and only in a limited number of cases actually has led, to cancellation of our collaboration.

Regulatory developments

Compliance with laws and regulations is an important precondition when executing our strategy. Due to the nature of our business and size of our company, we have to comply with a broad range of laws and regulations. However, like our business, these regulatory requirements are continually being developed. In this section we outline the most relevant regulatory developments and their potential impact on PostNL.

Regulatory developments in the Netherlands

The Dutch postal market has undergone fundamental changes in recent years. Since 2005, mail volumes have decreased by more than half, and the decline is set to continue. Below we discuss the impact regulation is having on the postal sector in which we operate.

Dutch postal regulation

In 2020, the State Secretary of Economic Affairs and Climate published proposed amendments on the Postal Law for the Dutch Parliament. The amendments aim at keeping nationwide mail delivery affordable and reliable against the backdrop of a changing market. The proposal was put on hold by parlement after the resignation of the former national government. The proposal is currently still on hold.

Ministerial Decree 2009 change

The increase in volumes due to the concentration of PostNL with Sandd and the one-off volume increases in consumer post due to the Covid-19 pandemic have a lasting positive impact on the stamp prices. However, the formulas in the Ministerial Decree do not allow to take into account these exceptional circumstances and (using these volumes for forecasts) would lead to fluctuating prices. Therefore, in October 2021, the Minister of Economic Affairs and Climate changed the Ministerial Decree 2009, to facilitate moderate price trends in subsequent years.

Consolidation

After the state secretary of Economic Affairs and Climate Policy cleared the acquisition of Sandd by PostNL in 2019, this decision was annulled by the court of Rotterdam based on litigations from several postal parties in 2020, after which the state announced to appeal the court ruling. In April 2021 the state secretary took a new, more substantiated decision with additional conditions for PostNL. The new decision has been appealed against and is now a part of the proceedings. The hearing at the "College van Beroep voor het bedrijfsleven" (CBB) took place end of August 2021, a second hearing is expected in March/April 2022.

EU regulations

Evaluation of the Postal Service Directive

The European Commission published an evaluation of the Postal Service Directive (PSD) in November 2021. No clear policy conclusions were made in this report, apart from the need for more standardisation and competition in the postal market. A market development study is now being launched for the postal services sector which should provide policy recommendations on future USO, competition in the sector, environmental and social issues, and digitalisation. The report is expected by Q3 2022.

Brexit

On 1 January 2021, the United Kingdom (UK) formally left the European Union (EU). As of 2021, the Trade and Cooperation Agreement between the EU and the UK applies. Following Brexit, the UK government is preparing full import controls for goods being imported from the EU to the UK. Partly due to the impact of the Covid-19 pandemic, the implementation of these controls have been delayed until 2022. The phased approach of implementation will result in additional administrative requirements for the import of goods to the UK from the EU in 2022, for example in relation to safety and security declarations.

EU Taxonomy on sustainable activities

Financing sustainable growth is one of the elements of the European Green Deal established to overcome challenges related to climate change and environmental degradation. To help investors understand whether an economic activity is environmentally sustainable, the EU implemented EU Taxonomy, a classification system in which environmentally sustainable activities are specified. The taxonomy identifies six environmental objectives: Climate change mitigation, climate change adaptation, use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, and protection and restoration of biodiversity and ecosystems.

Following the taxonomy regulation of 2020, the EU adopted delegated acts on sustainable activities for climate change and on disclosures as of 2021. While the reporting requirements over 2021 are limited to the eligibility of activities on climate change only, significant extensions of requirements classification, monitoring, and reporting on progress are expected to be formalised in 2022 for all six objectives. The implementation of this regulation may impact administrative processes and systems and the development of new policies on sustainable activities.

International developments

Universal Postal Union

At the UPU congress in August 2021, several relevant topics were discussed in relation to international collaboration for postal services. Decisions were made on topics such as the acceptance of the proposed remuneration package and agreement on a new budget / contribution system. Other topics include a global initiative on reduction of CO₂ emissions in the postal sector and the possibility to open up the UPU for a broader range of players in the postal sector. The UPU is preparing proposals for this topic, which will be on the agenda for this year's congress. We do not expect the agreements made in 2021 to have a substantial impact on PostNL's business.

Governance

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Board of Management

At year-end 2021, the Board of Management consisted of two members: the chairman and chief executive officer (CEO) Herna Verhagen and the chief financial officer (CFO) Pim Berendsen. A full description of the company's corporate governance structure is published in the 'Corporate Governance' chapter.

Biographies of our board members



Herna Verhagen (1966, Dutch, female) – Chief Executive Officer

Herna Verhagen became chief executive officer on 24 April 2012. She was appointed member of the Board of Management per 31 May 2011, reappointed per 14 April 2015 for a period of four years and reappointed per 16 April 2019 for another four years. She started working for one of the legal predecessors of PostNL in 1991 as sales manager. Subsequent roles included marketing & sales director, coordinating managing director Mail NL in the Mail division and managing director Group HR of TNT.

Herna Verhagen is responsible for Mail in the Netherlands, Parcels and Logistic solutions, CBS, Growth and Customer Excellence. Furthermore, her portfolio includes corporate strategy, public affairs, communication, corporate responsibility, human resources, IT and internal audit. She is a member of the Supervisory Board of ING and the Concertgebouw (Amsterdam concert hall), and a member of the Executive Committee of the Confederation of Netherlands Industry and Employers (VNO-NCW).

Herna Verhagen holds one position as referred to in article 2:132a of the Dutch Civil Code. This article is described as "number of supervisory positions" in Appendix 'Glossary and definitions'.

Pim Berendsen (1973, Dutch, male) – Chief Financial Officer

Pim Berendsen was appointed chief financial officer and member of the Board of Management per 18 April 2018 for a period of four years. Pim Berendsen joined PostNL and its legal predecessors in 2000 and held various positions, including financial director and managing director Data and Document Management Unit, financial director Euromail and manager strategy and M&A of Cendris. Between 2013 and 2015 he was director corporate development of Van Gansewinkel Group, returning to PostNL in 2015 to become member of the Executive Committee, responsible for International, M&A and Growth. He started his career as international tax advisor at Arthur Andersen.

Pim Berendsen is responsible for finance, legal, procurement & services, investor relations, M&A, and tax. He is chairman of the board of advice of Endeit Investment Fund, chairman of the Johan Cruijff Foundation, member of the Supervisory Board of Majorel and non-executive member of the board of Whistl.

Pim Berendsen holds one position as referred to in article 2:132a of the Dutch Civil Code. This article is described as "number of supervisory positions" in Appendix 'Glossary and definitions'.

Supervisory Board

At year-end 2021, the Supervisory Board consisted of six members. All members of the Supervisory Board are independent within the meaning of the by-laws of the Supervisory Board and the applicable corporate governance rules.

Biographies Supervisory Board

Jan Nooitgedagt (1953, Dutch, male) – Chair Supervisory Board

Jan Nooitgedagt was appointed member of the Supervisory Board on 17 April 2018 and chair of the Supervisory Board on 19 June 2018. His current term expires in 2022. He is vice-chair of the Supervisory Board of Rabobank and chair of the Supervisory Board of Invest-NL.

Jan Nooitgedagt was formerly chair of the Supervisory Board of TMG and SNS Reaal, member of the Supervisory Board of Robeco and Bank Nederlandse Gemeenten, chair of the board of VEUO (Association of listed AEX companies), chair of the Nyenrode Foundation board, member of the executive board and CFO of AEGON and held different positions at EY, ultimately as managing partner for the Netherlands and Belgium.

Jan Nooitgedagt holds two positions as referred to in article 2:142a of the Dutch Civil Code. This article is described as "number of supervisory positions" in Appendix 'Glossary and definitions'.

Marike van Lier Lels (1959, Dutch, female) – Vice chairwoman Supervisory Board

Marike van Lier Lels was appointed member of the Supervisory Board on 16 April 2019. Her current term expires in 2023. She is a member of the Supervisory Board of NS, RELX and Dura Vermeer, and chairwoman of the Supervisory Board of Innovation Quarter.

Marike van Lier Lels was amongst others a member of the Supervisory Board of Eneco, Imtech, KPN, USG People and Connexion, Vice-chairwoman of the Supervisory Board of TKH Group, Executive vice president and Chief Operating Officer of Amsterdam Airport Schiphol, member of the executive board Deutsche Post Euro Express and Director Van Gend & Loos Benelux.

Marike van Lier Lels holds three positions as referred to in article 2:142a of the Dutch Civil Code. This article is described as "number of supervisory positions" in Appendix 'Glossary and definitions'.

Jeroen Hoencamp (1966, Dutch, male)

Jeroen Hoencamp was appointed member of the Supervisory Board on 14 April 2020. His current term expires in 2024. He is CEO of VodafoneZiggo, the Dutch joint venture of Vodafone the Netherlands and Ziggo.

For over 20 years Jeroen Hoencamp fulfilled various senior management positions within Vodafone, such as CEO of Vodafone Netherlands, Ireland and Great Britain.

Jeroen Hoencamp holds one position as referred to in article 2:142a of the Dutch Civil Code. This article is described as "number of supervisory positions" in Appendix 'Glossary and definitions'.

Nienke Meijer (1965, Dutch, female)

Nienke Meijer was appointed member of the Supervisory Board on 20 April 2021. Her current term expires in 2025. Nienke is Cofounder and partner of Foundation De Buitenboordmotor, member of the supervisory board of Deloitte, chair of the board of Foundation De Volkskrant, member of the Advisory council for science, technology and innovation and member of the supervisory board of Leiden University Medical Center.

Nienke previously was Chair of the board of Fontys Hogescholen and held several commercial and managerial roles within Wegener and VNU.

Nienke Meijer holds one position as referred to in article 2:142a of the Dutch Civil Code. This article is described as "number of supervisory positions" in Appendix 'Glossary and definitions'.

Ad Melkert (1956, Dutch, male)

Ad Melkert was appointed member of the Supervisory Board on 14 April 2020. His current term expires in 2024. His positions include chairman of the Dutch Association of Hospitals and Extraordinary Councillor at the Council of State.

Previously Ad Melkert served as Dutch Member of Parliament, Minister of Social Affairs and Employment, Executive Director at the World Bank and Under-Secretary-General of the United Nations.

Ad Melkert holds one position as referred to in article 2:142a of the Dutch Civil Code. This article is described as "number of supervisory positions" in Appendix 'Glossary and definitions'.

Koos Timmermans (1960, Dutch, male)

Koos Timmermans was appointed member of the Supervisory Board on 20 April 2021. His current term expires in 2025. He is a member of the supervisory board of FMO, member of the supervisory board of Port of Rotterdam Authority, chair of the supervisory board of Stadsherstel Amsterdam and external advisor Bain & Company.

Previously Koos held various senior management positions within ING, the last position being CFO, he was member of the board of Association VNO/NCW, member of the supervisory board of the Duisenberg School of Finance and the Amsterdam Institute of Finance.

Koos Timmermans holds one position as referred to in article 2:142a of the Dutch Civil Code. This article is described as "number of supervisory positions" in Appendix 'Glossary and definitions'.

Report of the Supervisory Board

This Report of the Supervisory Board sets out the manner in which the Supervisory Board fulfilled its duties and responsibilities in 2021. PostNL's organisational structure forms part of the Report of the Supervisory Board and is disclosed in the 'Board of Management', 'Supervisory Board' and 'Corporate governance' chapters.

Focus items 2021

The Supervisory Board believes that focus is key to achieving PostNL's strategy and to creating long-term value. This includes addressing the principal risks and opportunities related to PostNL's strategy, with a view on long-term value creation. In exercising its task in 2021, the following topics in particular were discussed extensively.

Covid-19

The Covid-19 pandemic has had a profound impact on society and companies such as PostNL, which is discussed in further detail below. During the year the company made adjustments based on any revisions to government guidelines and regulations, from the easing of restrictions to additional lockdowns. The company applied all social distancing guidelines and health regulations to protect its people and consumers as much as possible. Throughout the year PostNL served consumers, customers and society at large by maintaining its vital infrastructure, allowing people to remain connected and to do business while staying at home. Going forward, visibility remains limited and depends on factors such as social distancing measures, the potential for further Covid-19 waves, macro-economic developments and consumer confidence.

OUR ROLE. In dealing with the pandemic and accompanying measures the company could rely on the experience of 2020. PostNL was able to remain fully operational, and the comprehensive business continuity plan was in place. As such, the Supervisory Board was able to rely on the regular business updates provided, and no separate meetings were required in relation to coping with Covid-19. Building on the experience gained in 2020, most of the Supervisory Board meetings were held virtually. The Supervisory Board provided the Board of Management and Executive Committee with guidance and advice where appropriate.

People

As one of the largest employers in the Netherlands, PostNL offers thousands of people the certainty of having a job, a stable income, security and opportunities for personal development and growth. The people working with and for PostNL can rely on a safe, healthy and diverse work environment where they are respected and enjoy a positive and cooperative culture.

OUR ROLE. The Supervisory Board and the Board of Management had regular discussions on the impact of the Covid-19 pandemic on our people in areas such as sick leave, social distancing, safety measures and work load. Deep dives were held on the employment model within Parcels.

This included discussions on the inspections by the Belgian social inspectorate at our Belgian activities, related to delivery partners hired by PostNL, and the temporary closing of one of our Belgian depots. Another regular attention point was the focus within society on PostNL's employment model.

Further items discussed were the labour market and the impact on the organisation, delivery quality, the PostNL collective labour agreement and collective labour agreement for Saturday deliverers, the agreement on a new social plan, employee engagement and diversity and inclusion, and PostNL's culture.

The Supervisory Board also discussed the ambitious and appropriate targets for the Board of Management and senior management to promote gender diversity. Changes in the Executive Committee were also discussed.

Furthermore, several members of the Supervisory Board met with the daily management of the Central Works Council, and regular informal sessions were held between members of the Supervisory Board and PostNL employees and senior management, to get their view on the company.

Sustainability

We believe sustainability is our license to operate. As such we continue to invest in activities that make our business more environmentally sustainable, and have announced an acceleration of our sustainability investments to speed up our progress towards our environmental, social and governance targets. PostNL's aim is to be the driving force for sustainable logistics in the Benelux.

OUR ROLE. The Supervisory Board acknowledges the importance of sustainability and fully supports the commitment to being a sustainable e-commerce logistics provider, including the goals set by the company and step up in investments. These were items of discussion with the Board of Management and senior management, including the underlying plans in reaching those goals, during 2021. Sustainability is a regular topic discussed in the meetings of the Supervisory Board, and will continue to be an important topic for discussion in 2022.

Parcels - solid operational performance

E-commerce growth continued in 2021, driven by the transition from offline to online. Part of the growth was connected to specific, non-recurring consumer spending as a result of the pandemic. The pandemic also caused fluctuations in e-commerce volumes, reflecting the government restrictions which led to the closure or reopening of non-essential stores. To accommodate the stronger growth in parcel volumes, PostNL has chosen to ramp up its capacity-expansion plans ahead of schedule. In October, PostNL opened a fully automated, robotic sorting centre for small parcels. During the year the company had to deal with disruptions in global supply chains. This led to an ongoing rebalancing of our Parcels' network. Over the busy year-end period, we added capacity and resources to provide customers with the high-quality services they expect and demand. We continued to manage Parcels for profitable growth.

OUR ROLE. The Supervisory Board held regular discussions with the Board of Management on the performance within Parcels, the measures taken in light of the Covid-19 pandemic, and the steps required to keep Parcels' operations up and running. Deep dives were held on the future network configuration. Furthermore, thorough discussions were held on volume development and capacity, in conjunction with dual vendorship, competition and market share, as well as the further expansion of Parcels' infrastructure. Other important topics for discussion with the Board of Management were customer satisfaction and quality levels.

Cross Border - shift towards e-commerce

Spring's business model and strategy enabled it to take advantage of the sharp growth in e-commerce as a result of the Covid-19 pandemic. During the first half of 2021 results at Spring were very good. However, in the second half of 2021 the impact from changes to the VAT regulation for small non-EU goods and other regulations in China were stronger than expected. The recovery in international volumes has not yet materialised, due in part to supply chain disruption issues and increased freight costs.

OUR ROLE. The Supervisory Board discussed developments with Spring, particularly in relation to the impact from the regulatory changes described above. Additional important topics discussed were Brexit, and the impact of disruptions in global supply chains.

Mail in the Netherlands - strong operational performance

Performance at Mail in the Netherlands was marked by three quarters with increased addressed mail volumes, mainly due to the impact from non-recurring items, for example the delivery of election cards and invitations for the vaccination programme. However, the underlying trend of volume decline continued, albeit with a light improvement compared to last years. On 28 October, PostNL announced that stamp prices will remain unchanged in 2022 due to the positive contribution of Sandd volumes and the non-recurring volume increase in single mail, related to Covid-19 in 2020. For business mail, PostNL continues its moderate pricing policy.

OUR ROLE. The Supervisory Board held regular discussions with the Board of Management on performance within Mail in the Netherlands, the measures taken in light of the Covid-19 pandemic and the necessity to keep the operations up and running. The consolidation of networks was discussed in the context of the ruling by the Court of Rotterdam annulling the earlier-granted approval for consolidation and the appeal lodged by the Dutch government and PostNL against such a ruling. Furthermore, the Supervisory Board was updated on the plans for further cost savings in the years to come. Other points of attention were the quality of delivery in conjunction with the labour market, the developments in the regulatory environment, and customer satisfaction.

Value for our shareholders

Value creation for our shareholders remains a key priority. For 2021, PostNL reported a strong business and financial performance, leading to upward adjustments on our outlooks in January and April 2021. In January 2022 a further trading update was issued indicating the preliminary results over 2021, and at the same time a €250 million share buyback programme was announced to neutralise assumed dilutive impact from dividends 2021-23. Cash flow performance was very strong in 2021 and exceeded our expectations, further strengthening our financial position, with a leverage ratio well below 2.0x at year end.

In line with the capital allocation framework, PostNL is well positioned to launch a share buyback programme. Confidence in the successful execution of our strategy gives us comfort around our longer-term business performance and cash generation perspective. Furthermore, the financial position allows PostNL to issue a final dividend for 2021, to be proposed to shareholders at the AGM 2022.

PostNL continues to deliver on its strategy and pathway towards 2024. The ambition for 2024 is to achieve normalised EBIT between €330 million and €370 million. This implies a step-up of €60 million - €80 million compared with earlier expectations. Overall, PostNL will invest an additional €450 million in the 2022-24 period, while ensuring sufficient flexibility in timing to adjust the level of investments in capacity expansion with volume growth expectations. This brings cumulative investments (capex and lease additions) to around €950 million for this period. The Digital Next programme is running on schedule and estimated to become accretive to ROIC as of 2023.

In December, PostNL successfully completed a five-year €200 million revolving credit facility (RCF), with the margin, to be paid by PostNL, partly dependent on the successful execution of its emission reduction strategy. For this RCF PostNL uses two main indicators in the performance evaluation, the carbon efficiency of its own operations and the share of emission-free delivery in the last-mile. The facility can be used for general funding purposes.

OUR ROLE. In-depth and thorough discussions took place during the year between the Supervisory Board and the Board of Management, in particular on the business and financial performance. The ambition towards 2024, and step-up in investments, have been extensively discussed with the Board of Management. In this light the improvement of the balance sheet as a whole, and the capital allocation framework specifically, were recurring items for discussion. The renewal of the revolving credit facility was also discussed, as was the sale of Nexive to Poste Italiane. Naturally, the announcement of the share buyback programme was discussed with the Supervisory Board, in conjunction with the value creation for all stakeholders.

Digitalisation

Digitalisation and the growth in e-commerce are transforming our company. Technological development is one of the key market trends shaping the lives of our customers and impacting our strategy. It is also leading to an increase in cyber threats. This requires us to continually improve our service proposition, by developing innovative services, while ensuring our IT backbone is kept up to date. Accelerating digitalisation across the company will enable us to strengthen our competitive position and further develop customer satisfaction, as well as reducing our cost base and attracting new customers.

OUR ROLE. PostNL's IT strategy, the speed of digitalisation, the agile way of working, online strategy, service propositions and innovation, and cyber security were discussed regularly between the Supervisory Board, the Board of Management, the Executive Committee and management, and were the topics of deep-dive sessions. The further digitalisation of the company, and possibilities for acceleration of such digitalisation, were recurring items in the discussions, in conjunction with compliance with the GDPR and digital ethics. The appointment of Bart Delmulle as Chief Digital Officer and member of the Executive Committee was also discussed with the Supervisory Board, and several members of the Supervisory Board met Bart prior to his appointment. Given the importance of digitalisation for PostNL, the members of the Supervisory Board also participated in the Digital Next Academy programme set up by PostNL.

Further topics discussed

In our scheduled meetings we addressed the focus items listed above, as well as topics that we address every year, including business, financial, market, and regulatory developments in PostNL's business segments, and the Strategic Plan. The 2020 annual results, the 2021 quarterly and half-yearly results, and the 2022 budget were also discussed.

Other topics discussed include PostNL's financial position, the re-appointment of EY as external auditor for the year 2021 and the selection of KPMG as auditor from 2022, IT developments, business continuity, (interim) dividend and PostNL's dividend policy, growth, the company's culture and investor feedback after management roadshows as well as an adjustment to the remuneration policy for the Board of Management. In relation to our shareholders, the stake in PostNL acquired by VESA Equity Investment was also discussed.

Also the reappointment of Pim Berendsen as CFO was discussed, as well as the appointment of Bart Delmulle and the announcement by Resi Becker and Marcel Krom of their departure as members of the Executive Committee, including the plan to appoint their successors.

Furthermore, the Supervisory Board discussed potential acquisitions and divestments, the preparation of the AGM and compliance with the Code. Twice a year, the Supervisory Board discusses a litigation overview, describing claims (including tax) against PostNL and litigation concerning PostNL (with a threshold of €250,000).

The Supervisory Board also receives an update on integrity (including the fraud & whistle-blower report) twice a year. The outcome of the risk management process, the main risks identified, and the mitigation plans in place to manage these risks were shared with the Audit Committee and with the

Supervisory Board. In this regard also the implementation of the Three Lines Model was discussed in the Audit Committee and Supervisory Board. A description of PostNL's major risks and its risk management can be found in the 'Risk and opportunity management' chapter.

The Supervisory Board performs an oversight role with respect to non-financial issues, supported by PostNL's internal audit department, which monitors the non-financial governance structure and reporting. Next to this responsibility, the Supervisory Board discussed various non-financial related issues besides the topics addressed in the focus items listed above, including pensions, career and management development, the reputation of PostNL, customer satisfaction, and the relations between the Supervisory Board and the Board of Management with the works councils and trade unions.

Additionally, the 2020 auditor's report by PostNL's external auditor EY and the 2020 Annual Report (including Financial Statements and Non-Financial Performance Statements) were discussed. For 2021 EY reported that the main areas of risk (Key audit matter) are revenue-related accruals (terminal dues) and valuation of Mail in the Netherlands investment. Compared to the key audit matters identified in 2020, the sale-and-lease-back transaction completed in November 2020 is no longer included as key audit matters in light of the completion of the transaction in 2020. In light of Covid-19, the year-end audit work of EY was carried out remotely, whereby conversations and discussions took place via digital meetings, in line with the Covid-19 communication protocol as prepared between PostNL and EY in 2020.

The Supervisory Board furthermore discussed its composition and that of its committees and the profile of the Supervisory Board. The Supervisory Board has held interviews with several candidates for the vacancy in the Supervisory Board. More

details about the Supervisory Board can be found in the 'Corporate governance' chapter.

During 2021, physical meetings between the Supervisory Board and Board of Management proved to be difficult as a result of Covid-19, resulting in most meetings being held digitally apart from the annual strategy meeting between the Supervisory Board, Board of Management and Executive Committee. Overall however, the quality of the digital meetings was good and constructive. Building on earlier evaluations, the Supervisory Board takes its time for discussions with the Supervisory Board only by making this a recurring item on the agenda of each meeting.

Number of meetings and attendance rate

The Supervisory Board met two times in person and had fourteen digital meetings in 2021, which included three Digital Next Academy sessions. All meetings were also attended by the full Board of Management, apart from the agenda item Supervisory Board only. The strategy meeting in June between the Supervisory Board, Board of Management and Executive Committee was held at a location not related to PostNL, and the Supervisory Board meeting in November was held at PostNL's new head office in The Hague, all with due observance of the applicable Covid-19 measures. The individual attendance and overall attendance percentages per meeting are presented in the table.

Meetings of the committees of the Supervisory Board

Audit Committee

The Audit Committee met once in person (in November) and had four digital meetings in 2021. In general, all meetings are attended by the CFO, director Audit & Security, director group Finance, director Accounting & Reporting and the external auditor, EY. The CEO attends the Audit Committee meetings when the half-year and full-year results are being discussed. The chairman of the Audit Committee meets the external auditor without management regularly. Additionally, the director Audit & Security regularly meets the chairman of the Audit Committee without management, and meets the chairman of the Supervisory Board at least once a year.

At each meeting, the Audit Committee discusses the results of and developments in PostNL's business segments. In 2021, the Audit Committee discussed PostNL's full-year 2020 results, the outlook for 2021, the 2021 first-quarter, half-year and third-

PostNL Attendance Supervisory Board members

2021

Name	Supervisory Board (incl. calls and digital meetings)	Audit Committee	Nomination Committee	Remuneration Committee	Remuneration Committee
Jan Nooitgedagt ¹	13/16	3/5	5/5	2/2	2/2
Marike van Lier Lels	16/16	5/5	5/5	-	-
Ad Melkert	16/16	5/5	-	6/6	6/6
Jeroen Hoencamp	15/16	-	5/5	-	-
Nienke Meijer ²	9/10	-	-	4/4	4/4
Koos Timmermans ²	10/10	4/4	-	4/4	4/4
Thessa Menssen ³	6/6	1/1	1/1	-	-
Eelco Blok ³	6/6	1/1	-	2/2	2/2
Agnes Jongerius ³	4/6	-	-	2/2	2/2
Overall attendance rate	93%	90%	100%	100%	100%

1 Jan Nooitgedagt no longer was a member of the Remuneration Committee as per 20 April 2021

2 Nienke Meijer and Koos Timmermans were appointed as member of the Supervisory Board as per 20 April 2021, only meetings during their tenure are taken into account

3 Thessa Menssen, Agnes Jongerius and Eelco Blok were no longer member of the Supervisory Board as per 20 April 2021

quarter results and the related press releases, and the 2022 budget, in conjunction with the impact of Covid-19 on people and operations and uncertainty in this regard going forward. Also, the intention to launch a share buyback programme was discussed. Furthermore, the Audit Committee discussed the Eumedion, VEB and VBDO focus letters, the risk paragraph and the quantity and quality of the explanatory notes in the financial reports of the 2020 Annual Report and the preparation of PostNL's 2021 Annual Report.

The main financial factors influencing the strategic plan and PostNL's financial performance, including volume developments, pricing, cost savings, competition and market share, regulatory developments, economic developments, pensions, and employee conditions were discussed. The Audit Committee also discussed the renewal of the revolving credit facility, the sale of Nexive to Poste Italiane, the development of working capital, the strategy of Parcels', development of

cost savings at Mail in the Netherlands, the impact of the change in VAT regulation for small non-EU goods and other regulations in China, (interim) dividend and dividend policy, the capital allocation framework, and the relevant 2021 tax matters, including matters such as transparency, tax planning, and tax risk management. Cyber security and IT, including digital ethics, were also recurring items on the agenda of the Audit Committee. The Audit Committee discussed reports on internal control and risk management (reports which are, if necessary, also discussed in the Supervisory Board). Reports from the internal audit function and the external auditor, including the internal audit and EY's audit plan and EY's board reports, were discussed regularly. The Audit Committee receives and discusses half-yearly updates on integrity issues (including the fraud & whistle-blower report), claims and litigation, compliance and any actions taken by management, if applicable. Fortunately, no material fraud-related incidents were reported in 2021.

The external audit fees were discussed and approved, and the performance of EY was discussed. The Audit Committee had a leading role in the decision on the re-appointment of EY as external auditor for 2021 and the selection of KPMG as auditor as of 2022. Furthermore, contemplated changes in the laws and regulations governing financial reporting, the quality assessment and performance of PostNL's internal audit function, and the development of the actions to mitigate the deficiencies reported by the external auditor and internal auditor function over 2020, were also discussed.

Nomination Committee

The Nomination Committee had five digital meetings in 2021. The Nomination Committee discussed the selection and nomination of a new member for the Supervisory Board, and has held several interviews with potential candidates. Furthermore, the overall composition of the Supervisory Board and its committees were discussed. Also, the Nomination Committee discussed the reappointment of Pim Berendsen as CFO, as well as the appointment of Bart Delmulle and the announcement by Resi Becker and Marcel Krom of their departure as members of the Executive Committee, including the plan to appoint their successors. The Nomination Committee also discussed succession planning and talent management in respect of the Supervisory Board, the Board of Management and senior management, and diversity and inclusion within the company. In this regard, the Nomination Committee discussed the ambitious and appropriate target numbers for the Board of Management and senior management to promote gender diversity.

Remuneration Committee

In 2021, the Remuneration Committee met once in person (in November) and had five digital meetings. It discussed the remuneration of the members of the Board of Management and the Executive Committee and of senior management, PostNL's remuneration policy and the preparation of the discussion of the remuneration policy at the 2021 AGM. During 2021 a road show was held with the Director of HR, the Director Investor Relations, investors and other stakeholders to discuss an adjustment to the remuneration policy for the Board of Management and Supervisory Board, to be tabled for approval at the AGM in 2022. Feedback was again requested from investors in relation to their view on the Remuneration Report as included in the annual report 2020. Further details on remuneration for the Board of Management and the Supervisory Board can be found in the 'Remuneration report' chapter, which includes a further explanation of the remuneration policy and the actual remuneration and relationship between remuneration and performance of members of the Board of Management for 2021, and provides further insight into the remuneration policies as adopted at the AGM in 2021.

Evaluation of the Supervisory Board

The Supervisory Board is responsible for the quality of its own performance. As such, the Supervisory Board evaluates and discusses its functioning and that of its committees and members annually, and at least every four years with the help of an external evaluator. For 2021, the Supervisory Board performed an evaluation with the help of an external evaluator. The evaluation process consisted of interviews with the members of the Supervisory Board, the Board of Management and the corporate secretary by the external evaluator on the functioning of the Supervisory Board. This was followed by a discussion on the input received between

the external evaluator and the Supervisory Board only in the February 2022 meeting of the Supervisory Board.

The evaluation was done based on a free format, without the use of a thematic questionnaire, led by the external evaluator. In all discussions explicit attention was given to the interpretation by the Supervisory Board of the three main topics, being the added value and effectiveness of the Supervisory Board, the functioning of the committees and board room dynamics.

Building on earlier evaluations, the Supervisory Board has taken its time for discussion with the Supervisory Board only by making this a recurring item on the agenda of each meeting. Despite the changes in the composition of the Supervisory Board the last years, the functioning of the Supervisory Board as a whole has developed and this leads to good content driven discussions. Discussions are conducted in a way that ensures open communication and feedback, meaningful participation allowing for civil disagreement and critical thinking. Not only within the Supervisory Board itself, but also in the discussions with the Board of Management. The Supervisory Board feels the relationship between the Board of Management and Supervisory Board is healthy, open and with mutual trust. In this regard, the Supervisory Board recognises the enormous achievements by the Board of Management in managing the company again through such a complex year.

The composition of the Supervisory Board is balanced and complementary, making the way of working, its judgement and decision making powers adequate. The Supervisory Board takes due consideration of the interests of all stakeholders of the company. It is positive about the professionalism and quality of the management reports and the information provided by - and transparency of - the Board of Management which are engaging in the advice provided by the Supervisory Board.

All members of the Supervisory Board have demonstrated that they have enough time to fulfil their duties as members of the Supervisory Board in an adequate manner.

There is also room for further improvement. For instance in having more market insights available for an outside view to benchmark our own internal insights. And in relation to requesting further insight from the Board of Management in the underlying considerations of the Board of Management in presenting documentation and information to the Supervisory Board. This will allow for even more constructive discussions between the Supervisory Board and Board of Management. In this regard, with an aim to further grow as a team the Supervisory Board will amongst others organise a two day session to discuss market developments relevant for PostNL, and will also invite the Board of Management to join the discussions. The outcome of the evaluation will be followed up in the coming year.

Concluding remarks

2021 was a challenging year again, where PostNL and society as a whole had to cope with the impact of Covid-19. The achievement of the Board of Management, Executive Committee, and all of the other PostNL employees worldwide, was enormous despite this complexity. Whilst managing Covid-19, PostNL has managed to make use of its maximum capacity to deliver mail and parcels responsibly, while always prioritising the health and safety of its employees and delivering sound business performance. Thanks to our people and the resilience of our business, we returned strong results driven by a solid business performance at Parcels and a strong result at Mail in the Netherlands, also leading to the announcement of the first-ever share buyback programme for PostNL.

We want to take this opportunity to reiterate our appreciation for the contributions by former Supervisory Board members Thessa Menssen, Agnes Jongerius and Eelco Blok. We also want to thank the Board of Management, Executive Committee, and all other PostNL employees worldwide for their continued drive and great work throughout the year. We look forward to 2022.

The Hague, the Netherlands, 28 February 2022

On behalf of the Supervisory Board
Jan Nooitgedagt

Remuneration report

The Supervisory Board is responsible for the remuneration policy of the Board of Management and its implementation. The Remuneration Committee oversees and continues to ensure the implementation of the remuneration policies as approved by the shareholders at the AGM and continues to ensure that decision making is in line with those policies, PostNL's performance and strategic priorities.

Remuneration report 2021

Remuneration Committee

The Remuneration Committee consists of:

- Chairman: Ad Melkert
- Member: Nienke Meijer (as per 20 April 2021)
- Member: Koos Timmermans (as per 20 April 2021)

- Member: Jan Nooitgedagt (stepped down as per 20 April 2021)
- Member: Eelco Blok (stepped down as per 20 April 2021)
- Member: Agnes Jongerius (stepped down as per 20 April 2021)

The main responsibilities of the Remuneration Committee are:

- Make a proposal for a clear and understandable remuneration policy for the Board of Management and the Supervisory Board.
- Make a proposal for the remuneration of the individual members of the Board of Management.
- Prepare the remuneration report.
- Make a proposal for targets on performance measures included in the remuneration policy and measure achievements against those targets for variable remuneration components.
- Make a proposal for the grant of (conditional) company shares.

Message from the chairman

Dear reader,

On behalf of the Supervisory Board, I am pleased to present our 2021 remuneration report. This report includes an overview of the implementation of the remuneration policies in 2021, as well as a preview of the proposed Board of Management remuneration policy revision. Since a final set of EU guidelines on the standardised presentation of the remuneration report is not yet available, the 2021 remuneration report has been drafted again in the spirit of the draft guidelines, in line with the 2019 and 2020 remuneration reports. We intend to update our report where necessary once the final EU guidelines have been published.

The 2021 remuneration report will be subject to an advisory vote at our AGM on 19 April 2022. During last year's AGM, 98.08% of the shareholders voted for the 2020 remuneration report. In preparation for the 2021 report, we consulted (representing bodies of) several external stakeholders. Their feedback has been taken into account, but did not lead to any material changes to the remuneration report.

Highlights of 2021

In the year 2021 the Covid-19 pandemic still played a dominant role in our lives. In dealing with the pandemic and safeguarding business continuity, PostNL could rely on the experiences of last year. As from the start of the pandemic, ensuring a safe and healthy environment for the people working for and with PostNL always remained key priority. At the same time, the growth in e-commerce and the transition in mail continued. We continued to successfully deliver on our strategy, including our commitment to sustainability and digital transformation. Highlights of 2021 included the completion of the sale of Nexive to Poste Italiane in the beginning of the year, the new social plan that was concluded with the trade unions and the opening of

our fully automated, robotic sorting centre for small parcels, an example of innovation and integrated value creation.

Financial performance

For 2021 PostNL reported very good financial results, driven by a solid business performance at Parcels and a strong result at Mail in the Netherlands. With a profitability of €308 million and free cash flow amounting to €288 million, PostNL considerably outperformed previous guidance and target levels, resulting in further improvement of the company's financial position. Cumulative underlying net cash income 2019-2021 of €584 million exceeded the maximum threshold, while cumulative cost savings of €102 million in 2019-2021 were lower than anticipated.

Non-financial performance

As motivated people are key to deliver the customer experience PostNL aims for, we are very satisfied that employee engagement remained high in 2021 and exceeded target level. Although the share of engaged employees decreased in October 2021 compared to April 2021, in the long run the share of engaged employees still shows an upward trend.

Providing customer value is a key driver in the execution of PostNL's strategy. And although we believe that during 2021 we remained demonstrating the many ways this is achieved, customer satisfaction, measured by the share of highly satisfied customers, decreased from 37% in 2020 to 34% in 2021. Amongst the factors that appear to have caused this decline are high volumes in lock-down periods, staffing issues and the import duties on non-EU deliveries. We are however pleased that the share of satisfied customers remained unchanged in 2021.

At Mail in The Netherlands, 94% of consumer mail was delivered by the next delivery day, which is below (regulatory) target of 95%. Our performance in 2021 was impacted in several ways,

including extreme weather conditions and ongoing Covid-19 restrictions which caused higher absenteeism, operational delays and limited process capacity. As performance on quality is key to secure a sustainable and solid mail business, quality improvement has our attention going forward. Delivery quality at Parcels with 98% remained high throughout 2021.

In 2021 PostNL continued to demonstrate the strength of our core business under challenging and changing conditions. We are very pleased that, while our operations ensured that customers could continue and grow their business under fast and frequently changing circumstances, numerous initiatives were launched and continued throughout the company to create business and speed up growth with customers, especially in logistics, health and digitalisation.

Decisions made in 2021

In the beginning of 2021 it was decided to index the base salary of the Board of Management for the second time since 2013, in line with the framework as defined in the remuneration policy. Furthermore in 2021, necessary steps were taken towards the revision of the current remuneration policy of the Board of Management, including a (digital) roadshow that was held with shareholders and other relevant stakeholders including investor and employee representatives. The purpose of the policy revision is to adjust part of the financial LTI performance measures and their weighting, which is explained in more detail in the final part of this remuneration report.

Looking forward to 2022

Because PostNL believes that sustainability is our license to operate, our commitment to sustainability will take a more prominent role in 2022 by accelerating our sustainability investments and speeding up progress towards our environmental, social and governance targets. Since 2020, the remuneration policy of the Board of Management includes climate impact as performance measure under the long-term

incentive plan, to strengthen alignment with our sustainability goals. Next year, the climate impact target will be evaluated for the first time. Performance will be included in the 2022 remuneration report.

In the period ahead, the Remuneration Committee will be closely monitoring developments on corporate governance, including the envisaged update of the Dutch Corporate Governance Code and the impact hereof on the remuneration policies of the Board of Management and Supervisory Board.

The new 2022 remuneration policy of the Board of Management will be put forward for a binding shareholder vote at the AGM on 19 April 2022. Upon shareholders' approval, the new policy will take effect from 1 January 2022. The long term incentive for 2022-2024 will be based on the principles as laid down in the new 2022 remuneration policy.

The Hague, the Netherlands, 28 February 2022

On behalf of the Remuneration Committee,
Ad Melkert, Chairman

2021 actual remuneration

The following section provides insight in how our remuneration policy was implemented in 2021 for both our Board of Management and Supervisory Board. The presented figures are at market value, unless stated otherwise. For IFRS based figures on the remuneration, see note 5.1 Remuneration of Supervisory Board, Board of Management and senior management of the 'Consolidated financial statements'.

Implementation of the remuneration policies

In 2021, we have overseen that all decisions made on Board of Management and Supervisory Board remuneration are in line with the remuneration policies as approved by the AGM in 2013 (regarding the 2019-2021 LTI plan) and 2020.

- No deviations took place from the decision-making process for the implementation of the remuneration policies.
- No temporary deviations took place from the remuneration policies.
- No remuneration has been granted and allocated by subsidiaries or other companies whose financials are consolidated by PostNL N.V. since all members of the Board of Management and the Supervisory Board are paid directly by PostNL N.V.
- No severance payments were granted to members of the Board of Management or the Supervisory Board.
- No variable remuneration has been clawed-back.

Total remuneration of Board of Management Scenario analysis

In conformity with the Code, scenario analyses have been performed regarding the possible results of the variable remuneration elements and the impact thereof on the remuneration of the Board of Management members. On the basis of these analyses, which amongst others include a minimum performance scenario (0%) and a maximum

performance scenario (100%) and share price variations (between 50% and 200%) the Supervisory Board deems the remuneration levels to be appropriate in view of the performance, respecting contractual agreements. Hence, no further measures are required in this regard.

External perspective

In line with our remuneration policy as adopted by the AGM in 2020, we benchmark our remuneration against a reassessed peer group at least every four years. The 2020 peer group, as defined in our remuneration policy, has not been altered since.

Internal perspective

We take the internal perspective into account in the implementation of the remuneration policy in order to ensure internal alignment with the remuneration of the Executive Committee, other senior management and employees who fall under a collective labour agreement. In 2021, we monitored the development of our internal pay ratios. The ratio between the annual total remuneration for the CEO and the average annual total remuneration of an employee was 23.8 for 2021. The ratio between the annual total remuneration of the CFO and the average annual total remuneration of an employee

was 17.9 for 2021. The Supervisory Board is committed to the guiding principles as laid down in the remuneration policy and deems the alignment with the broader workforce important, as demonstrated by the consistent development of the internal pay ratios over the years. In table 'Performance/remuneration/internal pay ratio', we provide more detailed information on the (altered) calculation method and the development of the Board of Management remuneration versus the wider workforce.

Base salary

The base salaries for both members of the Board of Management were indexed in 2021, compared to 2020, in line with the remuneration policy.

The total remuneration of the Board of Management in 2021 (and 2020) is outlined in the following table:

PostNL Remuneration Board of Management in €
2020, 2021

Name of Director - position	Reported Year	Fixed remuneration			Variable remuneration		Total remuneration	Fixed-variable remuneration
		Base salary ¹	Other benefits ²	Pension costs ³	One year variable	Multi-year variable		
Herna Verhagen - CEO	2021	659,844	183,551	387,985	173,209	227,161	1,631,749	75%-25%
	2020	640,625	181,760	41,675	216,211	60,065	1,140,336	76%-24%
Pim Berendsen - CFO	2021	501,481	112,874	33,824	131,639	172,642	952,460	68%-32%
	2020	486,875	114,341	32,918	164,320	27,287	825,741	77%-23%

¹ Base salaries 2021 were indexed with 3.0%.

² Other benefits include company costs related to tax and social security, pension allowances, company car and other compensation.

³ Pension costs represent the cash out for defined benefit scheme (net of employee contributions), risk premium for a net pension plan and the unconditional indexation for pension benefits accrued before 1 January 2001. In 2021, a payment for a conditional pension plan was made on behalf of Herna Verhagen, based on transitional rules.

Short-term Incentive (STI) 2021

PostNL Short-term Incentive

2021

Name of Director - position	Performance measure	Link to strategic objective	Relative weight of performance measure	Minimum threshold of performance measure	Actual performance	Actual remuneration (% of base salary)
Herna Verhagen - CEO	Profitability	Deliver profitable growth and generate	30%	€206m	€308m	11.25%
Pim Berendsen - CFO	Cash generation	sustainable cash flow	30%	€203m	€288m	11.25%
Total Financial performance measures						22.50%
	Customer satisfaction	Help customers grow their business	10%	37.0%	34.0%	0%
	Employee engagement	Attract and retain motivated people	10%	81.0%	84.3%	3.75%
	Quality Mail	Secure a sustainable mail business	10%	95.0%	93.9%	0%
	Quality Parcels	Help customers grow their business	10%	98.0%	97.9%	0%
Total Non-financial performance measures						3.75%
					Total	26.25%

The STI, which rewards the delivery of short-term performance taking into account the interests of multiple stakeholders, is based on annual financial and non-financial performance measures. Only fully achieved targets on these performance measures contribute to the STI payout.

STI payout is based on actual performance as assessed by the Remuneration Committee and summarised in the table above. The 2021 STI realisation amounts to 26.25% out of a maximum of 37.50%, which equals a payout ratio of 70%.

With a profitability of €308 million and cash generation of €288 million, we strongly outperformed target levels. Our strong annual results for 2021 are the result of solid results at Parcels & Logistics in the Netherlands and Belgium and good figures for Mail in the Netherlands due to unexpectedly high mail volumes.

In 2021 we observed a decrease in customer satisfaction compared to 2020, when we had actually seen a step up in customer satisfaction across the board, related in part to the continuation of our service since the start of the pandemic. Our 2021 customer score of 34% highly satisfied customers was below target level.

On the other hand, the employee engagement score remained high in 2021, with more than 84% engaged employees, and exceeded target level again. Performance on this point is in line with the benchmark figure in the Netherlands, but higher than levels seen across the logistics sector.

At Mail in the Netherlands we failed to reach the 95% target level. Quality levels were affected in a number of ways throughout the year, including a higher absenteeism rate due to Covid-19, in combination with strict quarantine rules resulting in increased mail deliverer vacancies in a difficult labour market.

Although the Parcel delivery quality remained very high throughout the majority of the year, the score ended up just below target level. Within the parcels organisation the focus in 2021 was on managing peaks realised by increasing sorting centre capacity, introducing additional delivery vehicles and the recruitment of new staff, but also by increased customer communication.

Long-term Incentive (LTI) 2019-2021

PostNL Long-term Incentive

2019-2021

Name of Director - position	Performance measure	Link to strategic objective	Relative weight of	Minimum threshold	Maximum threshold	Actual	
			performance	of performance	of performance	Actual performance	remuneration (% of base salary)
			measure	measure	measure		
Herna Verhagen - CEO	Underlying net cash income	Deliver profitable growth and generate	33.33%	€416m	€513m	€584m	12.50%
Pim Berendsen - CFO	Cost savings	sustainable cash flow	33.33%	€136m	€170m	€102m	0%
	New growth initiatives	Help customers grow their business	33.33%	Reasonable	Very Good	Very Good	12.50%
Total							25.00%

The long-term incentive is a performance share plan that rewards long-term value creation to PostNL's strategy and reinforces alignment with shareholder interests by granting shares. The plan is based on financial and strategic performance measures on which targets are set for a 3-year performance period. Since vesting schemes are being applied, a non-fully met target can still contribute to the LTI payout although overperformance against target does not lead to an upside (no stretch).

Year-end 2021, the LTI 2019-2021 performance period ended. The Remuneration Committee assessed the achievements of the Board of Management over the three-year performance period. Targets on each performance measure versus actual performance are summarised in the table above.

The LTI 2019-2021 was granted in 2019 and as such, originates from the previous remuneration policy as adopted by the AGM in 2013. The targets for 'Underlying net cash income' and 'Cost savings' and the related vesting schemes have been adjusted during the performance period for the acquisition of Sandd, in order to remain challenging and realistic.

Cumulative underlying net cash income of €584 million exceeded maximum target level, resulting in a pay-out ratio (% of annual base salary) of 12.5%. Due to lower than anticipated and delayed cost savings because of much more volume in 2021 and higher synergies with Sandd, we missed our cumulative cost savings threshold with €34 million. The performance on 'New growth initiatives' was overall assessed at very good. Despite the ongoing uncertainty and challenges that dominated the year 2021, focus remained on business development and (sustainable) growth opportunities within all business lines of the company, facilitating customers by growing an array of efficient, innovative and digital solutions.

The applicable number of performance shares will vest in 2022 and are subject to a two year holding period. This holding period aligns the long-term interest of the members of the Board of Management and our shareholders. The holding period furthermore ensures that the performance shares are held for a period of at least 5 years, in conformity with the Code (see also the section 'Share ownership' in this regard).

The market value of the shares is determined by multiplying the number of shares by the five-day volume weighted average share price of PostNL prior to 1 January 2022 at €3.8307 (2021: €2.8537). For the number of shares, we refer to note 5.1 in the 'Financial Statements' chapter.

The market value of shares granted, vested and those shares subject to a holding period are presented in the table at the next page.

PostNL Shares (market value) in €

Name of Director - position	Specification of plan	Value of shares held at 1 Jan 2021	Value of shares granted during 2021 ¹	Value of dividend shares ²	Value of shares settled during 2021	Value of shares forfeited during 2021	Value of net shares under a holding period at 31 Dec 2021	Value of shares subject to a performance condition at 31 Dec 2021
Herna Verhagen - CEO	PSP 2021		205,463	4,601				210,064
	PSP 2020	620,129		54,856				674,985
	PSP 2019	405,047		35,829				440,875
	PSP 2018	328,260		21,218	(227,161)	(122,318)	117,553	
	PSP 2017	40,717					40,717	
	PSP 2016	98,545						
	Total shares		1,492,697	205,463	116,503	(227,161)	(122,318)	158,269
Pim Berendsen - CFO	PSP 2021		156,155	3,497				159,652
	PSP 2020	471,299		41,690				512,988
	PSP 2019	307,839		27,232				335,071
	PSP 2018	249,478		16,123	(172,642)	(92,960)	89,340	
	Total shares		1,028,616	156,155	88,543	(172,642)	(92,960)	89,340
Total market value		2,521,313	361,618	205,046	(399,802)	(215,278)	247,609	2,333,636

1 The number of conditional shares granted is based on 37.5% of the annual base salary divided by the five-day average Euronext Amsterdam share price of PostNL prior to the date of publication of the Q1 2021 results (€4.479).

2 Conditional dividend shares were granted following the final dividend 2020 and interim dividend 2021.

Shares held by the Board of Management**PostNL Shares held by Board of Management** in shares

2020, 2021

Board of Management		31 Dec 2020	31 Dec 2021
Herna Verhagen - CEO	Conditional shares	353,313	346,131
	Unconditional shares under a holding period	36,354	41,316
	Unconditional shares not subject to a holding period	247,840	273,565
		637,507	661,012
Pim Berendsen - CFO	Conditional shares	268,519	263,062
	Unconditional shares under a holding period		23,322
	Unconditional shares not subject to a holding period	53,574	53,574
		322,093	339,958

Share ownership**PostNL Share ownership as percentage of the minimum shareholding** in %

2020-2021

Board of Management	31 Dec 2020	31 Dec 2021
Herna Verhagen - CEO	122	261
Pim Berendsen - CFO	29	84

The table provides an overview of the shares held at year end 2020 and 2021 by the CEO and CFO as percentage of the minimal shareholding (75% of annual base salary).

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 minimum shareholdings can be built up over 7 years (effective date share ownership as part of the 2020 remuneration policy), for the current Board of Management members.

The CEO exceeds the minimum share ownership level, and the CFO has not reached the minimum level yet, whilst expecting to do so within the requisite period. The increased ownership level partially results from the increased average share price compared to last year.

Information on the change of remuneration and company performance

The table provides an overview on the change of remuneration, company performance, average remuneration per FTE and internal pay ratios over the last 5 financial years (IFRS based). In line with the Code, the remuneration of the Supervisory Board is not related to the company performance and paid in cash only. Therefore, the Supervisory Board is excluded from this table. For an overview of the total remuneration of the Supervisory Board over the last five years, we refer to table 'Five year overview total remuneration Supervisory Board'.

Internal pay ratios

The ratios between the annual total remuneration for the CEO and CFO and the average annual total remuneration for an employee was 23.8 for the CEO in 2021 and 17.9 for the CFO in 2021. As from 2021 onwards, external temporary staff will be taken into account in the internal pay ratio calculation. This means that all FTE's of external staff hired during 2021 have

PostNL Performance/remuneration/internal pay ratio

(IFRS based)

		2017	2018	2019	2020	2021
Profitability ¹	in € million	Not Reported	206	135	250	308
	Delta in %			(34%)	85%	23%
Earnings attributable to shareholders ²	in € million	Not Reported	182	83	200	285
	Delta in %			(54%)	141%	43%
Revenue PostNL	in € million	2,725	2,772	2,844	3,255	3,466
	Delta in %		2%	3%	14%	6%
Total remuneration CEO	in €	1,127,609	1,204,669	1,095,078	1,236,376	1,237,076
	Delta in %		7%	(9%)	13%	0%
Total remuneration CFO	in €	822,655	1,020,581 ³	831,273	926,719	927,541
	Delta in %		24%	(19%)	11%	0%
Average remuneration per FTE ⁴	in €	45,939	48,998	44,108	51,861	51,905
	Delta in %		7%	(10%)	18%	0%
Internal pay ratio						
CEO ⁵		24.5	24.6	24.8	23.8	23.8
CFO ³		17.9	20.8	18.8	17.9	17.9

1 Profitability is equal to normalised EBIT (see chapter 9 Financial value).

2 Earnings attributable to shareholders is equal to normalised comprehensive income (see chapter 9 Financial value).

3 Jan Bos stepped down as CFO on 17 April 2018 and acted as advisor to the Board of Management until 1 June 2018; Pim Berendsen was appointed as CFO on 18 April 2018.

4 Based on the total salaries, pensions and social security contributions (excluding the CEO and CFO) increased with the external temporary staff cost (from 2021 onwards) divided by the average number of FTE's (total of own personnel and external temporary staff) minus two as reported in the chapter 'Financial Statements' of the relevant years.

5 Herna Verhagen was CEO over the presented years.

been taken into account when calculating the average number of FTE's. The related costs (note 2.1.3, external temporary staff costs) are included in the calculation of the average remuneration per FTE. For administrative reasons, it is not feasible to make a distinction between external staff who have worked shorter/longer than 3 months for PostNL during the calendar year, as the Code prescribes. As a result, no distinction is made in the duration of the activities performed by external staff for PostNL. The pay ratios 2021 excluding external temporary staff would have been 24.2 for the CEO and 18.2 for the CFO.

Total remuneration of the Supervisory Board

The total remuneration of the Supervisory Board in 2021 (per individual member) and 2020 (as a total) is presented in the table on the right.

In line with the remuneration policy as adopted by the AGM in 2020, the Supervisory Board members are entitled to a Board fee and one or more fixed Committee fee(s). The members of the Supervisory Board receive no compensation related to performance and accrue no pension rights with the company.

As such, their remuneration is 100% fixed. The members of the Supervisory Board receive no severance payments in the event of termination. PostNL does not grant loans, including mortgage loans, advance payments, guarantees and options or shares to any member of the Supervisory Board.

A five year overview of the total remuneration of the Supervisory Board is presented in the table on the right.

PostNL Total remuneration Supervisory Board in €, 2020, 2021

Supervisory Board member	Board fee	Committee fees			Total fees
		Nomination	Remuneration	Audit	
Jan Nooitgedagt	55,000	7,500	1,528	5,208	69,236
Marike van Lier Lels	40,000	5,000		7,500	52,500
Ad Melkert	40,000		7,500	7,500	55,000
Jeroen Hoencamp	40,000	5,000			45,000
Nienke Meijer ¹	27,778		3,472	4,062	35,312
Koos Timmermans ¹	27,778		3,472	6,944	38,194
Total current members	230,556	17,500	15,972	31,214	295,242
Agnes Jongerius ²	12,222		1,528		13,750
Thessa Menssen ²	12,222	1,528		3,056	16,806
Eelco Blok ²	12,222		1,528	2,292	16,042
Total 2021	267,222	19,028	19,028	36,562	341,840
Total 2020	295,000	23,944	22,500	34,423	375,867

1 Nienke Meijer and Koos Timmermans were appointed as member of the Supervisory Board as per 20 April 2021

2 Agnes Jongerius, Thessa Menssen and Eelco Blok were no longer member of the Supervisory Board as per 20 April 2021

PostNL Five year overview total remuneration Supervisory Board in €, 2017-2021

Supervisory Board member	2017	2018	2019	2020	2021
Jan Nooitgedagt		43,736	68,500	67,500	69,236
Marike van Lier Lels			34,242	51,056	52,500
Ad Melkert				39,110	55,000
Jeroen Hoencamp				36,090	45,000
Nienke Meijer					35,312
Koos Timmermans					38,194
Total current members	0	43,736	102,742	193,756	295,242
Marc Engel	51,000	54,000	40,500		
Michiel Boersma	16,042				
Jacques Wallage	66,750	57,547	55,000	17,042	
Frank Rövekamp	52,000	44,500	46,000	13,000	
Agnes Jongerius	51,500	45,500	46,000	46,444	13,750
Thessa Menssen	58,500	49,500	58,500	55,000	16,806
Eelco Blok	49,000	53,000	55,000	50,625	16,042
Total former members	344,792	304,047	301,000	182,111	46,598
Total remuneration	344,792	347,783	403,742	375,867	341,840

Proposed revision of the Board of Management remuneration policy from 2022

We have the intention to make two adjustments to the 2020 remuneration policy of the Board of Management. The proposed remuneration policy revision, which is intended to become effective as from 1 January 2022, will be put forward for a binding shareholder vote at the 2022 AGM.

The proposed adjustments are limited to the LTI performance measures and their weighting:

1. Change from two segment-based free cash flow performance measures (free cash flow Mail in NL and free cash flow Parcels) to one free cash flow performance measure at PostNL level;
2. Change the weighting of the resulting three performance measures into 33.33% each.

No other changes are being proposed.

Since the LTI has no stretch opportunity and the free cash flow performance measures in the current remuneration policy were set at segment level, outperformance on free cash flow in one segment does not compensate for performance in the other segment, whilst the Board of Management is responsible at PostNL level. Consequently, we deem performance measures on segment level undesirable and propose to set the performance measure free cash flow at PostNL level. To underpin the remuneration policy's guiding principles 'simple' and 'transparent', we propose to redistribute the performance measures equally (i.e. 33.33% per performance measure). Furthermore, 33.33% weighting indicates equal importance from a strategic point of view.

Several internal and external stakeholders have been consulted in drafting the revised remuneration policy. During this roadshow, PostNL engaged with investors, proxy advisors, investor representatives and employee representatives. Based on the feedback received, no further adjustments were made.

On 8 March 2022 the agenda for the AGM will be made public including the revised remuneration policy proposal for the Board of Management.

Impact of the new remuneration policy

The remuneration policy for the Board of Management contains the following adjustments compared to the previous (2020-2021) policy as presented in the table:

PostNL LTI performance measures (incl. weighting)

Previous policy	New policy
Earnings attributable to shareholders (25%)	Earnings attributable to shareholders (33.33%)
Cash generation Parcels (25%)	Cash generation (33.33%)
Cash generation Mail (25%)	
Climate impact (25%)	Climate impact (33.33%)

Corporate governance

PostNL N.V. is a limited liability company listed on Euronext Amsterdam and governed by Dutch corporate law. PostNL has a two-tier governance structure with a Board of Management entrusted with executive management under the supervision of an independent Supervisory Board. Each Board is accountable to the general meeting of shareholders for the performance of its duties. PostNL is a so-called large company (structuurvennootschap). The large company regime provides for a legal framework, which determines the corporate management structure as well as the powers and duties of the Boards.

Board of Management

The Board of Management and its duties

The Board of Management manages PostNL. It is collectively responsible for setting and implementing – and the continuous evaluation and, where necessary, adjustment of – our mission, vision, strategy, objectives and culture, the risk profile laid down in our strategy, the company's financing, the non-financial policy, external communication and compliance with all relevant legislation. It is also responsible for the continuity and management of the company as a whole and for all decisions taken in this respect.

The Board of Management acts in accordance with the interests of the company and looks after the long-term value creation of the company as a whole. To that end, it considers all relevant interests associated with the company and is committed to managing the company transparently.

The Board of Management performs its activities under the supervision of the Supervisory Board. It informs the Supervisory Board of significant developments and discusses, inter alia,

risk management, internal control, integrity and compliance systems with the Supervisory Board and its Audit Committee.

PostNL's Supervisory Board evaluates the functioning of the Board of Management and that of its individual members annually. It discusses the conclusions following such evaluation, also in light of the succession of the members of the Board of Management. Furthermore, the Board of Management itself evaluates its own functioning and that of its individual members.

Specific staff departments – Internal Audit, Legal, Tax, Procurement & Services, Human Resources, Investor Relations, Treasury, Public Affairs, Communication and Finance – support the Board of Management and the business segments in the performance of their duties and ensure compliance with applicable laws and regulations.

The Board of Management incorporated the following bodies to ensure compliance with applicable corporate governance requirements: a Disclosure Committee and an Integrity Committee.

The Disclosure Committee advises and assists the Board of Management in ensuring compliance with regulations relating to the publication of price-sensitive information. The Disclosure Committee is composed of the CFO, director Legal, director Communications and Investor Relations, and the corporate secretary. The Disclosure Committee reports directly to the Board of Management. The terms of reference of the Disclosure Committee can be found on our website.

The Integrity Committee advises and assists the Board of Management in developing, implementing and monitoring Group policies aimed at enhancing integrity and ethical behaviour and at preventing irregularities, misconduct and fraud. The Integrity Committee oversees investigations based on reports of possible breaches under our Business Principles and related policies. More information on integrity and the Integrity Committee can be found in the 'Risk and opportunity management' chapter.

Members of the Board of Management are appointed and can be suspended or dismissed by the Supervisory Board. A decision by the Supervisory Board to dismiss a member

of the Board of Management can only be taken after the General Meeting of Shareholders has been consulted on the intended dismissal.

Further details on the appointment and dismissal of members of the Board of Management can be found in our articles of association, which are available on our website. The by-laws of the Board of Management can be found on our website.

The Executive Committee and its duties

PostNL has an Executive Committee, which has been installed to advise and support the Board of Management in its duties and responsibilities. The Executive Committee assists the Board of Management in achieving the company's business objectives and implementing the strategic goals, and provides support and expertise in pursuit of the company's strategic goals. The Executive Committee is also responsible for managing PostNL's senior leadership talent and to manage talent consistently at all business segments of PostNL.

In the performance of its responsibilities, the Executive Committee shall act in accordance with the interests of PostNL and the business connected with it, taking into consideration the interests of PostNL's stakeholders. The members of the Executive Committee have regular contact with the Supervisory Board, both formally (in meetings of the Supervisory Board) and informally (at the initiative of a member of the Executive Committee or of a member of the Supervisory Board). The CEO acts as the first contact between the Executive Committee and the Supervisory Board and its Chairman.

The Executive Committee consists of the members of the Board of Management and the directors of the PostNL segments (Mail in the Netherlands and Parcels), Customer Excellence and HR, the Chief Information Officer and the Chief Digital Officer. The responsibility for day-to-day management of the PostNL business segments is decentralised within established

standards, processes, requirements and guidelines. Each Executive Committee member bears responsibility for the operations and management in his or her business segment or staff function, in line with PostNL's policies, values and principles and compliance standards.

The Board of Management reviews and assesses the performance of the Executive Committee, as well as the effectiveness of the governance structure of the Executive Committee, at least once a year. In doing so, the Board of Management shall take account of the checks and balances that are part of PostNL's two-tier system, such as whether the Supervisory Board is informed adequately.

With the exception of the members of the Board of Management, Executive Committee members are appointed, suspended and dismissed by the Board of Management.

The by-laws of the Executive Committee can be found on our website.

Composition Board of Management and Executive Committee

At year-end 2021, the Board of Management consisted of two members: the chairman and chief executive officer (CEO) Herna Verhagen and the chief financial officer (CFO) Pim Berendsen.

At year-end 2021, the Executive Committee consisted of the following eight members:

- Herna Verhagen (CEO and chairman)
- Pim Berendsen (CFO)
- Liesbeth Kaashoek, responsible for Parcels and Logistics
- Resi Becker, responsible for Mail in the Netherlands
- Arno van Bijnen, responsible for Customer Excellence and Cross Border Solutions

- Bob van Ierland, responsible for HR
- Marcel Krom, Chief Information Officer, responsible for IT and Growth
- Bart Delmulle, Chief Digital Officer.

Bart Delmulle was appointed as member of the Executive Committee as per 1 February 2021. No further changes occurred in the composition of the Board of Management and Executive Committee during 2021. As per 1 February 2022, Resi Becker left PostNL and is succeeded by Bob van Ierland. Per 1 February 2022, Jeroen Veldstra was appointed as his successor and responsible for HR. As per 1 May 2022, Marcel Krom will be leaving PostNL.

Supervisory Board

The Supervisory Board and its duties

The Supervisory Board is charged with supervising the Board of Management and the general course of affairs of PostNL, as well as assisting the Board of Management with advice. The Supervisory Board evaluates the main organisational structure and the risk management, internal control, integrity and compliance systems established by the Board of Management, as well as the general and financial risks.

In performing its duties, the Supervisory Board acts in accordance with the interests of PostNL and considers the relevant interests of the company's stakeholders. The responsibility for proper performance of its duties is vested in the Supervisory Board as a whole. Members of the Supervisory Board perform their duties without mandate and independent of any particular interest in the company's business. Members of the Supervisory Board may take views that differ from those of the Board of Management. PostNL's Supervisory Board is responsible for the quality of its own performance, which is reviewed annually.

The Supervisory Board performs an oversight role with respect to corporate responsibility issues supported by PostNL's internal audit function and the company's external auditors who provide assurance on the non-financial reporting.

The Board of Management provides the Supervisory Board with the information necessary for the proper performance of its duties in a timely manner. In addition, the Board of Management is required to provide the means to allow the Supervisory Board and its individual members to obtain all information necessary to be able to function as the supervisory body of PostNL. The Board of Management seeks full transparency in its communication with the Supervisory Board.

The by-laws of the Supervisory Board can be found on our website.

Composition of the Supervisory Board

At the Annual General Meeting of Shareholders held on 20 April 2021, the shareholders appointed Nienke Meijer and Koos Timmermans as members of the Supervisory Board for a period of four years, replacing Thessa Menssen and Eelco Blok. Agnes Jongerius has decided to waive her reappointment, leading to a vacancy in the Supervisory Board.

At year-end 2021, the Supervisory Board consisted of six members: the chair of the Supervisory Board, Jan Nooitgedagt (who is also chair of the Nomination Committee); Marike van Lier Lels (vice chair of the Supervisory Board); Nienke Meijer; Koos Timmermans (chair of the Audit Committee); Jeroen Hoencamp; and Ad Melkert (chair of the Remuneration Committee).

For the Annual General Meeting of Shareholders in April 2022, the Supervisory Board has nominated Hannie Vlug for appointment as Supervisory Board member for a period of four

years. Jan Nooitgedagt will be available for reappointment as Supervisory Board member for a period of four years.

The following table provides an overview of the composition of the Supervisory Board committees per year-end 2021.

PostNL Composition of Supervisory Board committees

2021

Committee	Audit	Remuneration	Nomination
Chair	Koos Timmermans	Ad Melkert	Jan Nooitgedagt
Member	Jan Nooitgedagt	Nienke Meijer	Marike van Lier Lels
Member	Marike van Lier Lels	Koos Timmermans	Jeroen Hoencamp
Member	Ad Melkert		

Members of the Supervisory Board are appointed by the General Meeting of Shareholders following nomination by the Supervisory Board. The General Meeting of Shareholders can dismiss the Supervisory Board in its entirety by an absolute majority of the votes cast representing at least one-third of the issued share capital. According to the by-laws and the profile of the Supervisory Board, a person may be appointed to the Supervisory Board for a maximum period of four years and may then be reappointed once for another four-year period.

The Supervisory Board member may subsequently be reappointed again for a period of two years, and this appointment may be extended by at most two years. PostNL's articles of association provide that members of the Supervisory Board shall resign periodically in accordance with a rotation plan drawn up by the Supervisory Board in order to limit the number of simultaneous appointments or reappointments. The rotation plan is available on our website. Further details on the appointment and dismissal of members of the Supervisory Board can be found in our articles of association.

Pursuant to our articles of association, the Supervisory Board has at least three members. Taking this requirement into account, the Supervisory Board decides on the number of its members. At the date of this report, the Supervisory Board consists of six members, with one vacancy to be filled at the Annual General Meeting of Shareholders in April 2022. The Supervisory Board prepared a profile of its size and composition, taking into account the nature of PostNL's business and activities and the desired expertise, competences, diversity and background of the members of the Supervisory Board. The Supervisory Board also adopted a diversity policy for PostNL addressing the composition of the Supervisory Board, Board of Management and Executive Committee. This policy can be found on our website.

The Supervisory Board ensures that its composition meets the required profile and is as independent and diverse as possible, assuring sufficient knowledge of mail and communication, logistics, corporate responsibility, digitalisation, sustainability, management, public affairs, IT, finance, corporate governance and the capital markets. A Supervisory Board member must be capable of assessing the broad outline of the company's overall policy and should have the specific expertise required to fulfil the duties assigned to his or her designated role within the framework of the profile. Each member should have sufficient time available for the proper performance of his or her duties.

The Supervisory Board evaluates its profile regularly and discusses the profile at the Annual General Meeting of Shareholders and with PostNL's central works council when it amends the profile. The profile of the Supervisory Board is available on our website.

Chair

The chair of the Supervisory Board determines the agenda and presides over meetings of the Supervisory Board. The chair is responsible for the proper functioning of the Supervisory Board and its committees. In addition, the chair arranges an introduction and training programme for new members of the Supervisory Board and initiates the evaluation of the performance of the members of the Supervisory Board and the Board of Management. The chair of the Supervisory Board may not be a former member of PostNL's Board of Management.

Committees of the Supervisory Board

PostNL's Supervisory Board has an Audit Committee, Nomination Committee and Remuneration Committee. The committees have an advisory role based on a mandate from the Supervisory Board. Only the Supervisory Board has decision-making power. Each committee reports its deliberations, findings and recommendations after each meeting to the full Supervisory Board. The committees operate pursuant to terms of reference set by the Supervisory Board in accordance with the law and the Code. The terms of reference are available on our website.

Audit Committee

The Audit Committee assists and advises the Supervisory Board and prepares the decision-making of the Supervisory Board on the monitoring of the integrity and quality of the financial reporting by the company and on the effectiveness of the internal risk management and control systems of the company. The Audit Committee focuses inter alia on the supervision of the Board of Management concerning (i) the integrity of the company's financial and corporate responsibility reporting (including but not limited to the choice of accounting policies, application and assessment of the effects of new rules, information about the handling of estimated items in the financial statements and forecasts), (ii) the external auditor's qualifications and independence,

remuneration and non-audit services for the company, (iii) the relationship with the external auditor and the compliance by PostNL with the recommendations from the external auditor and the internal audit function, (iv) the company's financing, (v) the company's tax policy, (vi) the application of information and communication technology by the company, including the risks related to cyber security, and (vii) compliance with relevant legislation and codes of conduct.

The Audit Committee consists of at least three members. All members of the Audit Committee are members of the Supervisory Board who are independent within the meaning of the by-laws of the Supervisory Board and the applicable corporate governance rules. A member of the Audit Committee shall not simultaneously serve on the Audit Committee of more than two other companies unless the Supervisory Board determines that this simultaneous service would not impair the ability of such a member to serve effectively on the Audit Committee.

Each member of the Audit Committee must be financially literate and at least one member of the Audit Committee shall be a financial expert, with relevant knowledge and expertise of financial accounting and reporting for listed companies or other large companies.

Nomination Committee

The Nomination Committee assists the Supervisory Board on matters relating to the appointment procedures for members of the Supervisory Board and the Board of Management and procedures to secure adequate succession of members of the Board of Management and the assessment of such candidates, and with assessing the size and composition of the Supervisory Board and the Board of Management. The Nomination Committee prepares proposals for nominations, appointments and reappointments. At least once a year, the size and composition of the Supervisory Board and the Board

of Management and the functioning of the individual members are assessed by the Nomination Committee and discussed by the Supervisory Board.

The Nomination Committee consists of at least three members, including the chairman (or vice chairman) of the Supervisory Board. All members of the Nomination Committee are members of the Supervisory Board and are independent within the meaning of the by-laws of the Supervisory Board and the applicable corporate governance rules.

Remuneration Committee

The Remuneration Committee proposes at least once every four years a clear and understandable remuneration policy for the Board of Management and Supervisory Board to be pursued (such policies to be adopted by the General Meeting of Shareholders). It proposes the remuneration of the individual members of the Board of Management, which proposal shall be prepared in accordance with the remuneration policy, proposes common targets for members of the Board of Management for the three coming years, prepares the remuneration report, reviews the granting of company shares or options for company shares to other senior management of the company pursuant to its share plans, and prepares a clear and understandable proposal for the remuneration of Supervisory Board in accordance with the remuneration policy.

The Remuneration Committee consists of at least three members. The chairman of the Remuneration Committee shall not simultaneously be the chairman of the Supervisory Board. All members of the Remuneration Committee are members of the Supervisory Board and are independent within the meaning of the by-laws of the Supervisory Board and the applicable corporate governance rules.

Information by external parties

The Supervisory Board and its committees may hire independent advisors as it deems appropriate. There is an agreed procedure for members of the Supervisory Board to obtain independent professional advice paid for by the company, if so required.

Conflict of interest

Each member of the Board of Management and the Supervisory Board must immediately report and provide all relevant information to the chairman of the Supervisory Board about any conflict of interest or potential conflict of interest, material or not to the company and/or to the relevant member. A member of the Board of Management also informs the other members of the Board of Management (as applicable).

If the chairman of the Supervisory Board has a conflict of interest or potential conflict of interest that is material to the company and/or to him, he is required to report this immediately to the vice chairman of the Supervisory Board and to provide all relevant information. In all situations, this includes information concerning a spouse, registered partner or other life companion, (foster) child or other relatives by blood or marriage up to the second degree.

The Supervisory Board is responsible for deciding how to resolve a conflict of interest between members of the Board of Management, members of the Supervisory Board and/or the external auditor on the one hand and the company on the other.

In the event of a conflict of interest between PostNL and a member of the Board of Management, the company will be represented by another member of the Board of Management or a member of the Supervisory Board appointed by the Supervisory Board for this purpose.

A decision to enter into a transaction involving a conflict of interest with a member of the Board of Management or the Supervisory Board, material or not, to the company or to the relevant member requires the approval of the Supervisory Board. No such transactions were entered into in 2021 so best practice provisions 2.7.3 and 2.7.4 of the Code did not apply.

The by-laws of the Board of Management and the Supervisory Board also include a provision that a member of the Board of Management or the Supervisory Board does not participate in any discussion or decision-making that involves a subject or transaction in relation to which the member has a conflict of interest with the company. In 2021, there were no cases whereby conflicts of interest occurred.

Insider trading – share ownership

Members of the Supervisory Board, the Board of Management and PostNL's senior management are subject to the PostNL Group Policy on Prevention of Insider Trading, which sets rules to prevent insider trading in our financial instruments and in securities other than PostNL's financial instruments.

Under the current remuneration policies share ownership is mandatory for the Board of Management, and not for members of the Supervisory Board. This is further detailed in the Remuneration report.

The table below lists the total number of PostNL shares held by each member of the Board of Management, including shares vested under PostNL's performance share plan and variable remuneration. The table does not state the unvested shares which have been allocated to such members under PostNL's performance share plan. None of the Supervisory Board members holds any PostNL shares at the date of this Annual Report.

PostNL Shares held by Board of Management/Supervisory Board

Number of shares
2020, 2021

	31 Dec 2020	31 Dec 2021 ¹
Board of Management		
Herna Verhagen	284,194	314,881
Pim Berendsen	53,574	76,896

¹ This table does not include any granted rights on shares allocated to the members of the Board of Management under PostNL's participation in the variable compensation scheme. See note 5.1 to the consolidated financial statements and the chapter Remuneration report under 2021 actual remuneration. The information in this table is publicly available at www.afm.nl.

Diversity

As described elsewhere in this Annual Report, PostNL believes in the strength of diversity and inclusion. We respect and value differences between people, as they make our organisation stronger, more innovative and more appealing. This also translates into our aim for diversity in the composition of the Executive Committee, Board of Management and Supervisory Board. The Supervisory Board seeks to promote diversity among the members of the Executive Committee, Board of Management and Supervisory Board with regard to age, sex, level of expertise and experience, and nationality. We aim to create a balance, to the extent possible, in which the diversity referred to above is expressed and where the objective is to comply, at the very least, with the statutory requirements. Please be referred to our Diversity and inclusion policy which can be found on the website.

PostNL's Executive Committee at year-end 2021 had eight members, of which three were female, i.e. 37.5% of the seats filled by women. The Board of Management has one female and one male member, i.e. 50% of the seats filled by women.

The Supervisory Board has six members, of which two are women, i.e. 33.3% of the seats filled by women. Consequently, as per year-end 2021 the Board of Management, the Executive Committee and Supervisory Board had a balanced representation of men and women.

As follows from PostNL's diversity policy and the profile of the Supervisory Board, diversity is taken into account when selecting candidates in case of a vacancy in the Executive Committee, Board of Management and Supervisory Board. Ultimately, the capacities of the selected candidates are assessed irrespective of the candidate's gender and the most qualified candidates will be nominated for appointment.

In 2021, Nienke Meijer and Koos Timmermans were appointed as members of the Supervisory Board, replacing Thessa Menssen and Eelco Blok. As per 1 February 2021, Bart Delmulle was appointed as Chief Digital Officer in the Executive Committee. The composition of the Board of Management remained unchanged in 2021.

Per 1 January 2022, new Dutch legislation entered into force in relation to a balanced representation of men and women in Supervisory Board, Board of Management and senior management. The legislation introduces a binding diversity quota for the Supervisory Board, whereby at least one third of the members of the Supervisory Board should be male, and at least one third of the members should be female. Also, large companies such as PostNL should determine an ambitious and appropriate target (in the form of a target number) to promote gender diversity in the Board of Management and senior management. As mentioned above, PostNL complies with the binding diversity quota for the Supervisory Board. Also, PostNL has already determined ambitious and appropriate target numbers for the Board of Management and senior management. More information can be found in chapter 'Social value'.

Corporate secretary

The Executive Committee, Board of Management and Supervisory Board are assisted by PostNL's corporate secretary. All members of the Executive Committee, Board of Management and Supervisory Board have access to the advice and services of the corporate secretary, who is responsible for ensuring that the Executive Committee, Board of Management and Supervisory Board procedures are followed and that each of these bodies acts in accordance with the law, the articles of association and the relevant by-laws.

Shareholders and their rights

General Meeting of Shareholders

PostNL is required to hold an Annual General Meeting of Shareholders within six months of the end of the financial year. The agenda for this meeting includes the adoption of the financial statements, a proposal on dividend and the release from liability of the members of the Board of Management and the Supervisory Board for the performance of their respective duties during the financial year. This release only covers liability for matters reflected in the relevant financial statements or otherwise disclosed to the General Meeting of Shareholders prior to the adoption of the relevant financial statements.

General Meetings of Shareholders are held as often as the Board of Management or the Supervisory Board deem necessary, and shall be convened in case of a decision entailing a significant change in the identity or character of PostNL or its business.

Furthermore, the Supervisory Board and the Board of Management are in principle required to convene a shareholders meeting in case one or more shareholders

representing at least 10% of PostNL's issued share capital so request in writing, stating the proposed agenda in detail.

General Meetings of Shareholders may be held in Amsterdam, The Hague, Hoofddorp or in the municipality of Haarlemmermeer (Schiphol).

One or more shareholders representing at least 1% of PostNL's issued share capital are entitled to request that the Board of Management or the Supervisory Board place items on the agenda of a General Meeting of Shareholders. Such a request must be honoured by the Board of Management or the Supervisory Board, provided that the request is received in writing at least 60 days before the date of such a meeting. In the event a request is made by one or more shareholders to either convene a meeting or to place an item on the agenda of a General Meeting of Shareholders that may result in a change of the company's strategy, the Board of Management is entitled to a reasonable period in which to respond, which shall not exceed 180 days.

The Central Works Council of PostNL has the right to form an opinion on proposals to determine or modify the policy on the remuneration of the Board of Management, proposals that entail a significant change in the identity or character of the company or its business and proposals to appoint a member of the Supervisory Board. The Central Works Council has the right to explain its position during the General Meeting of Shareholders.

General Meetings of Shareholders are convened at least 42 days in advance by a notice published on the company's website.

Each shareholder is entitled to attend a General Meeting of Shareholders, either in person or by written or electronic proxy, to address the meeting and to exercise voting rights, subject

to the provisions of PostNL's articles of association. An eligible shareholder has the aforementioned rights if registered as a shareholder on the applicable record date to the extent described by Dutch law.

Each PostNL share carries the right to cast one vote. Unless Dutch law or PostNL's articles of association stipulate otherwise, resolutions are passed by a simple majority of votes cast by the shareholders present or represented at the meeting. Pursuant to PostNL's articles of association, there are no limitations to the rights of Dutch, non-resident or foreign shareholders to hold or exercise voting rights in respect of PostNL's securities.

General Meeting of Shareholders 2021

On 20 April 2021, PostNL held its Annual General Meeting of Shareholders in The Hague, the Netherlands. The attendance rate was 44.8% of the total outstanding share capital.

At the Annual General Meeting of Shareholders, the following advisory vote was held and the following resolutions were adopted:

- Advisory vote on the remuneration report for the financial year 2020
- The adoption of the 2020 financial statements
- The appropriation of profit over the financial year 2020
- The release of the Board of Management and Supervisory Board from liability for the performance of their respective duties during the financial year 2020
- The appointment of Nienke Meijer and Koos Timmermans as members of the Supervisory Board
- The reappointment of Ernst & Young Accountants LLP as auditor of the company for the year 2021, and the appointment of KPMG Accountants NV as auditor of the company for the years 2022, 2023 and 2024

- Designation of the Board of Management to issue ordinary shares until 20 October 2022 (limited to 10% of the issued capital at the time of issue)
- Designation of the Board of Management to limit or exclude pre-emptive rights to issue ordinary shares until 20 October 2022 (limited to 10% of the issued capital at the time of issue)
- Authorisation of the Board of Management to have PostNL acquire its own shares until 20 October 2022 (limited to 10% of the issued capital)

With respect to the last three bullets, see also the section 'Articles of association, share acquisition, reduction and increase of issued share capital' below.

The agenda, resolutions and voting results for each resolution, the presentations given during the meeting and a webcast of the meeting are available on our website in Dutch and English. Minutes of the meeting are available in Dutch only.

Liquidation rights

In the event of PostNL's dissolution and liquidation, the assets remaining after payment of all debts and liquidation expenses are to be distributed in the following order of preference: firstly, to the holders of all outstanding preference shares B (if any), the nominal amount paid up on these shares plus accumulated dividends for preceding years that have not yet been paid; and secondly, to holders of ordinary shares in proportion to their shareholdings.

Changes to the rights of shareholders

Rights of shareholders may change by way of an amendment to the articles of association, a statutory merger or demerger within the meaning of book 2 of the Dutch Civil Code, or dissolution of the company. A resolution of the General Meeting of Shareholders is required to effect these changes. Under PostNL's articles of association, such a resolution may only be

adopted upon a proposal by the Board of Management that has been approved by the Supervisory Board.

Major shareholders

To PostNL's knowledge, it is not directly or indirectly owned or controlled by another company or by any government. PostNL does not know of any arrangements of which the operation might, at a subsequent date, result in a change of control, except as described under 'Foundation Continuity PostNL and preference shares B' below.

The Financial Markets Supervision Act (Wet op het financieel toezicht) imposes a duty to disclose percentage holdings in the capital and/or underlying financial instruments and/or voting rights in the company when such holding reaches, exceeds or falls below 3%, 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95%. Such a disclosure must be made to the Dutch Financial Markets Authority (AFM) without delay. The AFM then notifies the company.

Articles of association, share acquisition, reduction and increase of issued share capital

Amendment of the articles of association

The company's articles of association can be amended upon a proposal by the Board of Management, approved by the Supervisory Board and adopted by the General Meeting of Shareholders. A proposal to amend the articles of association must be stated in a notice convening a General Meeting of Shareholders and announced in such a manner as permitted by law at the time. The proposal shall be passed upon an absolute majority of the votes cast in the General Meeting of Shareholders. PostNL's articles of association are available on our website.

Ability of the company to acquire its own shares

Under its articles of association, PostNL may acquire its own shares, provided that they are fully paid up. If such shares are acquired for consideration, the following conditions apply:

- PostNL's shareholders' equity less the purchase price may not fall below the sum of the paid-up capital and any reserves required to be maintained by Dutch law or pursuant to the articles of association.
- Following the share acquisition, PostNL may not hold shares with an aggregate nominal value exceeding half of its issued share capital.

The Board of Management is authorised to decide to acquire PostNL shares. Such a resolution requires the approval of the Supervisory Board. In addition, the Board of Management requires prior authorisation by the General Meeting of Shareholders. This authorisation may be valid for a period not exceeding 18 months and must specify:

- The number of shares that may be acquired;
- The manner in which shares may be acquired;
- The price limits within which shares may be acquired.

Authorisation by the General Meeting of Shareholders is not required if the PostNL shares are acquired for the purpose of transferring those shares to PostNL employees pursuant to any arrangements applicable to such employees.

Reduction of issued share capital in general

The issued share capital may be reduced by the cancellation of shares following a repurchase. PostNL's issued share capital may also be reduced if the nominal value of its shares is reduced by amendment of PostNL's articles of association. The resolution to reduce PostNL's issued share capital requires the approval of the General Meeting of Shareholders. Pursuant to PostNL's articles of association, such a resolution may be

adopted pursuant to a proposal of the Board of Management that has been approved by the Supervisory Board. The latter requirement is more stringent than Dutch law.

Increase of issued share capital by issuance of shares/pre-emptive rights

PostNL's Board of Management has been designated as the body authorised to resolve on the issuance of shares and to grant rights to subscribe for shares, including options and warrants. Such a resolution is subject to the approval of the Supervisory Board. The scope and duration of this authority of the Board of Management are determined by the General Meeting of Shareholders. The Board of Management cannot be authorised to issue more shares than the number of authorised shares that have not been issued (i.e. the number of authorised shares minus the number of issued shares). The authority may not be granted for a period longer than five years.

The term of designation of the Board of Management as the body authorised to resolve on the issuance of shares may also be extended by amendment of PostNL's articles of association.

If no extension is given, the issue of shares or granting of rights to subscribe for shares requires a resolution of the General Meeting of Shareholders. Such a resolution may only be adopted pursuant to a proposal by the Board of Management that has been approved by the Supervisory Board.

In principle, each holder of ordinary shares has a pre-emptive right in case of any issue of ordinary shares or the granting of rights to subscribe for these shares.

Pursuant to PostNL's articles of association, shareholders' pre-emptive rights may be restricted or excluded by a resolution of the Board of Management, provided and as long as the Board of Management has been designated as the body authorised to resolve on the issuance of shares. Such a resolution is

subject to the approval of the Supervisory Board. Pursuant to PostNL's articles of association, the provisions relating to the scope and duration of the authority to issue shares and grant rights to subscribe for ordinary shares are also applicable to the scope and duration of the authority to exclude or restrict pre-emptive rights.

Dividend

The Board of Management may determine, subject to approval by the Supervisory Board, that any dividend on ordinary shares will be paid wholly or partly in PostNL ordinary shares instead of cash, or that any dividend will be paid by giving shareholders the option to choose between PostNL ordinary shares or cash (optional dividends).

If and when dividends are declared, PostNL pays dividends out of its profits, or by exception out of the distributable part of its shareholders' equity as shown in PostNL's financial statements. PostNL is not allowed to pay dividends if the payment would reduce shareholders' equity below the sum of the paid-up capital and any reserves required by Dutch law or the company's articles of association.

The Board of Management may, subject to approval by the Supervisory Board and to provisions of Dutch law, distribute interim dividend.

No dividend shall be paid on shares held by PostNL. Such shares shall not be included for the calculation of the profit distribution, unless the Board of Management resolves otherwise. Such a resolution is subject to the approval of the Supervisory Board.

Under PostNL's articles of association, if preference shares B have been issued, PostNL must pay dividends on the paid-up portion of the nominal value of the preference shares B. Payment is made at a rate of the average 12-month EURIBOR (Euro Interbank Offered Rate), weighted to reflect the number

of days for which the payment is made, plus a premium to be determined by the Board of Management, subject to approval by the Supervisory Board, of at least one percentage point and at most three percentage points. The Board of Management then determines, subject to the approval of the Supervisory Board, the part of the remaining profits to be appropriated to reserves. The profit that remains after appropriation is at the disposal of the General Meeting of Shareholders.

More information about PostNL's dividend policy can be found in the 'PostNL on the capital markets' chapter, and on our website. Any changes to these guidelines shall be explained in a separate agenda item at the Annual General Meeting of Shareholders.

Foundation Continuity PostNL and preference shares B

Stichting Continuïteit PostNL (Foundation Continuity PostNL) was formed to safeguard the interests of PostNL, the undertaking connected with PostNL and all parties involved. It does this by, among other things, preventing any influences that could threaten PostNL's continuity, independence and identity, as far as possible. Foundation Continuity PostNL is an independent legal entity and is not owned or controlled by PostNL or any other legal person.

PostNL's articles of association provide for protective preference shares B that can be issued to Foundation Continuity PostNL. The preference shares B have a nominal value of €0.08 and have the same voting rights as PostNL's ordinary shares.

PostNL and Foundation Continuity PostNL have entered into a call option agreement, which enables Foundation Continuity PostNL to acquire a number of preference shares B not

exceeding the total issued number of ordinary shares minus one and minus any shares already issued to Foundation Continuity PostNL. The call option agreement is meant as a preventive measure against influences that might threaten the continuity, independence and identity of the company. Preference shares B will be outstanding no longer than strictly necessary. As at 31 December 2021 and at the date of this Annual Report, there were no preference shares B issued. The exercise price with respect to the call option is the nominal value of €0.08 per preference share B, although upon exercise only €0.02 per preference share B is required to be paid. The additional €0.06 is due when the Board of Management, subject to the approval of the Supervisory Board, requests payment. Foundation Continuity PostNL has a credit facility in place to enable it to exercise the call option.

Six months after the issuance of preference shares B, Foundation Continuity PostNL may require PostNL to convene a General Meeting of Shareholders to discuss cancellation of these shares. However, if within these six months Foundation Continuity PostNL should receive a demand for repayment under the credit facilities referred to above, it may also require PostNL to convene a General Meeting of Shareholders. In accordance with PostNL's articles of association, a General Meeting of Shareholders must be convened no later than 12 months after the first date of issuance of any preference shares B to Foundation Continuity PostNL. The agenda for that meeting shall include a resolution regarding the repurchase and/or cancellation of the preference shares B.

PostNL has granted Foundation Continuity PostNL the right to file an application for an inquiry into the policy and conduct of PostNL's business with the Enterprise Chamber of the Amsterdam Court of Appeal (Ondernemingskamer). Should such an inquiry be granted, the Enterprise Chamber may impose immediate provisions.

At 31 December 2021, the members of the Board of Foundation Continuity PostNL were Mr M.P. Nieuwe Weme (chair), Ms Y.C.M.T. van Rooy, Ms C.M.C. Mahieu and Mr P.S. Overmars. All members of the Board of Foundation Continuity PostNL are independent from PostNL. This means that Foundation Continuity PostNL is an independent legal entity as referred to in section 5:71 paragraph 1 sub c of the Dutch Financial Markets Supervision Act (Wet op het financieel toezicht).

Shareholder and stakeholder dialogue

PostNL endeavours to stay in regular contact with its shareholders. The CEO, CFO and the investor relations team meet with shareholders during roadshows and conduct individual meetings and calls during the year.

Communication takes place with governance institutions representing shareholder groups before the Annual General Meeting of Shareholders and also during the year. PostNL does not have a specific policy to introduce members of the Supervisory Board to PostNL shareholders. The company has a policy on bilateral contacts with the shareholders which is included in the investor relations policy and published on PostNL's website. More information about PostNL's investor relations can be found in the 'PostNL on the capital markets' chapter.

Furthermore, PostNL organises an annual dialogue with its stakeholders, in addition to the daily, ongoing contacts with customers, regulators, interest groups, et cetera. More information about PostNL's stakeholder dialogue can be found in the 'Non-financial statements, section Basis of preparation' chapter.

External auditor

PostNL's external auditor, Ernst & Young Accountants LLP, is appointed by the General Meeting of Shareholders. The lead partner rotates after a maximum period of five years and the key assurance partners rotate after a maximum period of seven years. Ms S.D.J. Overbeek - Goeseije has been the lead audit partner since 2017.

The Supervisory Board recommends to the General Meeting of Shareholders the appointment or replacement of the external auditor. In doing so, it considers the Audit Committee's advice regarding the external auditor's nomination for appointment/reappointment or dismissal. The Audit Committee prepares the selection of the external auditor. The Audit Committee reports annually to the Supervisory Board on the functioning of, and relevant developments in the relationship with the external auditor. The Audit Committee gives due consideration to the Board of Management's observations in this respect. At the Annual General Meeting of Shareholders held on 20 April 2021 Ernst & Young Accountants LLP was reappointed as external auditor for PostNL for another year, that is for the financial year 2021. Ms S.D.J. Overbeek - Goeseije shall remain the lead audit partner. At said Annual General Meeting of Shareholders, KPMG Accountants NV was appointed as the external auditor for PostNL for the financial years 2022, 2023 and 2024.

The Audit Committee, supported by the internal audit function, is required to pre-approve all services the external auditor provides to ensure these do not impair the auditor's independence from PostNL. The Audit Committee grants a general pre-approval for certain routine services every year. By Dutch law, the external auditor is in principle prohibited to render non-audit services.

Conflicts and potential conflicts of interest between the external auditor and PostNL are settled in accordance with the

terms of reference of the Audit Committee and Dutch law. See note 2.1.6 to the consolidated financial statements of PostNL N.V. for the fees paid to Ernst & Young Accountants LLP and the distribution of fees between audit and audit-related services.

The Audit Committee requires a formal written statement from the external auditor confirming its independence.

Internal audit

PostNL's internal audit function provides independent and objective assurance to the Board of Management and the Supervisory Board on the effectiveness of the internal control framework, and performs financial, IT and non-financial management systems and operational audits for the various units within the PostNL Group. Audits are scheduled in close cooperation with the business concerned and organised in such a way that the external auditor can use the internal audit activities optimally. Each audit is followed by a formal audit report to the management responsible. Adequate follow-up on audit findings is assured. A summary report of audit-related topics (findings, follow-up, and so on) is issued every quarter to the Board of Management and the Audit Committee. Audit planning, the quality and professionalism of the audit team and the effectiveness and efficiency of the execution of the audits are supervised by the Board of Management and approved by the Audit Committee. The internal audit function reports to the CEO, with open communication to the CFO and the Audit Committee.

Our tax policy and principles

In this chapter we provide an overview of our tax policy, its underlying principles, and its application.

Introduction

The Board of Management views tax (meaning all taxes that we face in our businesses) as an important matter for PostNL and its stakeholders. As such, a coherent, responsible and compliant approach towards tax is considered an integral part of doing business. Based on a group policy approved by the Board of Management, the head-office department Group Tax is mandated to oversee this approach towards tax. In that role, Group Tax, inter alia, defines the tax strategy and related policy and principles for the PostNL Group, advises and supports the Board of Management on tax, and acts as the central business partner on tax towards all stakeholders whilst maintaining the following principles and ensuring that these

“ The Board of Management views tax as an important matter for PostNL and its stakeholders ”

are adhered to. It is important to notice that these tax principles, in particular the topics of compliance, transparency and our relationship with authorities, have a strong correlation with our business principles.

Our approach

Compliance

We strive to be compliant with the relevant tax laws and regulations in countries where we conduct our business and are guided by the relevant international standards (such as OECD guidelines). We aim to comply with the letter as well as the spirit of the laws mentioned. At the same time, we endeavor to be compliant with the (tax) accounting laws and regulations in countries where we do business.

Transparency

We view transparency as an integral part of sound tax governance, and consider this as key in our approach towards tax authorities. As to other stakeholders, we make our disclosures in accordance with relevant reporting requirements and standards. In addition, we assess at least annually our position on tax disclosures with respect to transparency.

Relationship with tax authorities

We have built our relationship with the Dutch tax authorities on the basis of horizontal monitoring. This means that this relationship is based on mutual trust, understanding and transparency. In such a relationship we proactively disclose issues and the Dutch tax authorities deal with such issues in an efficient and constructive way, e.g., work collaboratively with tax authorities to achieve early agreement on disputed issues, wherever possible. We strive to build relationships with tax authorities in other countries in a similar fashion, where and when applicable and feasible.

A multi-disciplinary approach towards corporate and business projects and tax matters

We take a multi-disciplinary stance when working on corporate and business projects, tax planning and transfer pricing, involving relevant representatives of the business as well as representatives of our tax, treasury, legal and finance departments. Oversight is carried out by the CFO.

Guiding principles on tax planning

Our tax planning requires opportunities in this area to have a substantial level of robustness taking into account the principle of business rationale. This means that aside from factors such as financial impact, complexity and reputation, solid business and/or commercial reasons have to exist. In addition, this means that we do not use (i) contrived or abnormal structures

Total revenue including interest by country

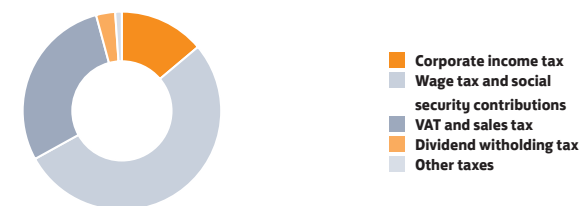
2021: €3,467 million

**Taxes paid** by country

2021: €547 million

**Taxes paid** by type

2021: €547 million



or (ii) secrecy jurisdictions or so-called tax havens for tax avoidance. Considering these principles, we view our tax risk appetite as moderate.

Governance and accountability

We have mechanisms in place to be able to adhere to these tax principles. We acknowledge that a robust governance framework is required to maintain control over tax matters and related risks. Our tax control framework has been built and developed accordingly. In this respect, a set of key controls on tax matters have been defined, controlling certain inherent risks, which periodically have been executed and whereby oversight is kept and specific review procedures performed by the Internal Audit department. As an important topic, also expected to remain important for the coming years, Group Tax pays increasing attention to tax technology (data analytics and more automated compliance and reporting in particular) to further enhance its control framework. We operate a Group Tax department to ensure that tax matters are dealt with according to the mandate given to it by the Board of Management. Part of the mandate is a roles and responsibilities matrix on the basis of which it is clear how these roles and responsibilities are allocated over the different areas within the PostNL Group. We report periodically to the Board of Management on adherence to the tax policy and underlying tax principles.

Taxes in more detail

We monitor (inter)national developments (in particular developments in the OECD and EU context) to improve tax transparency. Complying with the legislation in the countries in which we operate our activities, we have filed a country-by-country report in the Netherlands and our notifications in other countries to the extent required. Also in 2021, these (inter)national developments were discussed to assess whether our stance towards these developments should be adjusted. In terms of the outcome of this discussion, we continue to strive for optimal tax transparency, which includes taking the aforementioned developments, as well as competition considerations, into account. As a result of this assessment, we have decided to start as from 2021 with a more detailed breakdown of our tax position.

Given the different activities we operate across our business segments, we pay a number of different types of tax. In addition to corporate income tax, VAT and sales tax (borne and collected) and wage tax & social security contributions (borne and collected) are the most material ones. In 2021, we paid €547 million (2020: €448 million) in tax.

PostNL General information in € million, unless indicated otherwise

Year ended at 31 December	2020	2021
Number of employees (average FTE)	22,304	22,181
Total revenue including interest	3,257	3,467
Profit before income taxes	282	302
Total income tax expense	69	74
Effective income tax rate	24.6%	24.4%

The comparison between 2020 and 2021 shows stability in our tax metrics in general. Both our corporate income tax and dividend withholding tax increased substantially compared to 2020 as a result of our improved financial performance and position.

PostNL Taxes paid by type in € million

Year ended at 31 December	2020	2021
Corporate income tax	12	76
Wage tax and social security contributions	280	291
VAT and sales tax	143	158
Dividend withholding tax	0	17
Other taxes	13	6
Total	448	547

Tax information per country

The vast majority of our business is concentrated in the Benelux. To provide transparency on the locations of our business, results and corresponding taxes, we provide a breakdown with general information and total tax contribution (borne and collected).

PostNL General information by country, in € million, unless indicated otherwise

Country	Number of employees (average FTE)	Total revenue including interest	Profit/(loss) before income taxes	Total income tax expense	Effective income tax rate (in %)
Netherlands	21,332	3,003	281	72	25.7%
Belgium	510	79	17	1	4.3%
France	16	12	0	0	0.0%
Germany	74	42	1	0	0.0%
Italy	26	16	0	0	103.5%
Great Britain	79	30	0	0	19.0%
Switzerland	10	26	0	0	3.5%
Spain	69	44	0	0	24.7%
Hungary	7	1	0	0	21.3%
Russian Federation	8	2	0	0	28.2%
Canada	23	17	0	0	1.7%
Hong Kong	26	194	0	0	43.9%
Singapore	1	0	0	0	3.6%
Total 2021	22,181	3,467	302	74	24.4%

Our tax policy and principles

PostNL Total tax contribution (borne & collected) in € million

Country	Corporate income tax		Wage tax and social security contributions		VAT and sales tax		Dividend withholding tax		Other taxes		Total tax contribution ¹	
	borne	collected	borne	collected	borne	collected	borne	collected	borne	collected	borne ²	collected ³
Netherlands	79	(71)	119	(273)	16	(161)	0	(17)	9	(5)	222	(527)
Belgium	4	(5)	6	(11)	0	14	0	0	0	(0)	11	(3)
France	0	0	0	(0)	1	(2)	0	0	0	0	1	(2)
Germany	0	0	0	(4)	0	(4)	0	0	0	(0)	0	(8)
Italy	0	(0)	0	0	0	0	0	0	0	0	0	0
Great Britain	0	0	0	(1)	0	(0)	0	0	0	(0)	1	(1)
Switzerland	0	(0)	0	(0)	0	0	0	0	0	0	0	(0)
Spain	0	(0)	1	(1)	2	(4)	0	0	0	(0)	2	(5)
Hungary	0	(0)	0	(0)	0	(0)	0	0	0	(0)	1	(0)
Russian Federation	0	(0)	0	(0)	0	(0)	0	0	0	0	1	(1)
Canada	0	(0)	0	(0)	0	0	0	0	(0)	0	0	(0)
Hong Kong	0	(0)	0	0	0	0	0	0	(0)	0	0	(0)
Singapore	0	(0)	0	0	0	0	0	0	0	0	0	(0)
Total 2021	83⁴	(76)	127	(291)	19	(158)	0	(17)	9	(6)	239	(547)

1 Zero amounts in this table are mainly the result of rounding in € million and therefore representing smaller amounts.

2 Taxes borne represent the taxes that are an expense/(income) item as included in the income statement.

3 Taxes collected represent the taxes (paid)/received included in our cash flow, also representing payments made on behalf of other parties.

4 The difference between the corporate income tax borne (€83 million) and the total income tax expense (€74 million) is due to changes in deferred taxes, see note 2.2.2 to the consolidated financial statements.

PostNL on the capital markets

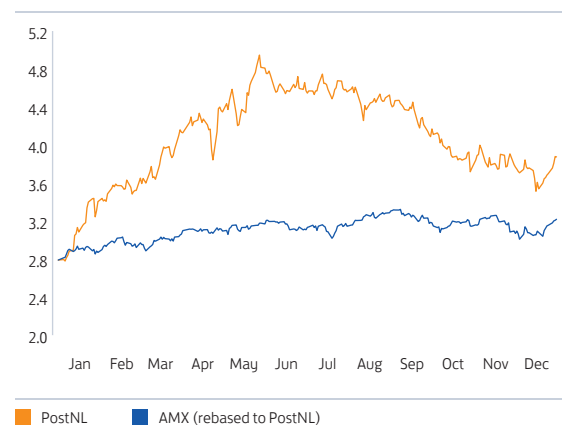
In this chapter we provide information about our capital structure, the role of investor relations, our dividend and our financial calendar for the year ahead.

Shares and share ownership

Ordinary shares in PostNL N.V. (ticker: PNL, ISIN code 0009739416) are listed on Euronext Amsterdam and included in the AMX index. Options on PostNL shares are traded on Euronext Derivatives Amsterdam and on the European Options Exchange in Amsterdam.

Relative performance PostNL compared to AMX-index

2021



In 2021, 1,247 million PostNL shares were traded on Euronext Amsterdam (2020: 1,427 million). The average daily number of shares traded was 4.8 million (2020: 5.5 million). The market capitalisation of PostNL was €1,964 million at the end of 2021 (2020: €1,381 million).

PostNL's authorised share capital is divided into 1,500,000,000 shares of €0.08 each and consists of 750,000,000 ordinary shares and 750,000,000 preference shares B. The number of issued and outstanding ordinary shares was 513,252,013 on 31 December 2021 (2020: 494,991,389 shares). All shares in issue are fully paid. In 2021, 17,513,098 shares were issued as stock dividend and 747,526 shares for the share plan for employees (2020: 1,038,803 for the share plan for employees). No preference shares B were issued and outstanding. For more information on PostNL's equity, see note 4.6 Equity to the consolidated financial statements.

Major shareholders

Pursuant to the Financial Markets Supervision Act (Wet op het financieel toezicht), shareholders must disclose percentage holdings in the capital and/or voting rights in the company when such holding reaches, exceeds or falls below 3%, 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95%. Such disclosure must be made to the Dutch Financial Markets Authority (AFM) without delay.

Since November 2012, investors also have to disclose net short positions in the company that equal or exceed 0.5% of outstanding shares. At the end of 2021, investors had filed an accumulated net short position of 4.3% in PostNL.

Our substantial shareholders are listed in the table below.

PostNL Overview of substantial shareholders and their relative ownership (>3%) 31 December 2021

Date of notification	Company	(Indirect and/or potential) Holding	Holding of (indirect and/or potential) voting rights
22 December 2021	BlackRock, Inc	3.35%	3.77%
13 December 2021	JP Morgan Chase & Co	3.04%	3.04%
1 November 2021	Vesa/EP ¹	20.12%	20.12%
14 May 2021	Talpa Beheer BV	4.91%	4.91%

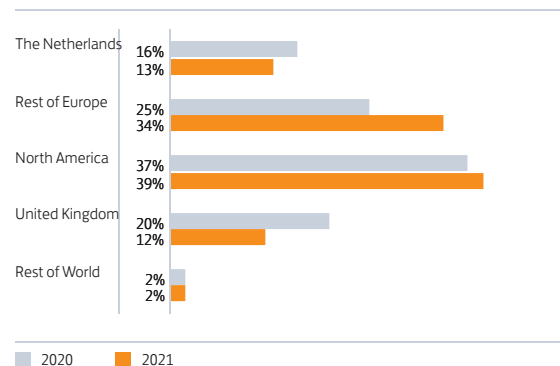
¹ EP Investment Sarl, EP Equity Investment Sarl, Vesa Equity Investment Sarl. According to a filing at AFM on 19 January 2022, the mentioned holding of Vesa/EP at that date was 25.02%.

Shareholder base

The estimated distribution of our shares between retail (15%) and institutional shareholders (85%) did not change materially compared to 2020. PostNL has a broad base of international institutional shareholders.

Institutional shareholders by region

2020, 2021 (in %)



Bonds and credit rating

PostNL currently has two Eurobonds outstanding, both listed on Euronext Amsterdam:

- POSTNL 1.0% 2024 (ISIN XS1709433509), nominal value outstanding €400 million
- POSTNL 0.625% 2026 (ISIN XS2047619064), nominal value outstanding €300 million

In November 2017 PostNL issued an ordinary Bond with an outstanding amount of €400 million and a coupon of 1.000%, maturing November 2024 (ISIN XS1709433509). The net proceeds were used for general corporate purposes.

In September 2019, PostNL issued a Green Bond with an outstanding amount of €300 million and a coupon of 0.625%, maturing September 2026. The net proceeds are being used to finance and/or refinance new and/or existing eligible green projects. The transaction highlights the company's commitment towards becoming a truly sustainable e-commerce logistics provider. This enables the company to contribute meaningfully to the United Nations Sustainable Development Goals 'Decent work and economic growth' and 'Climate action'. The eligible green projects focus on green kilometres, sustainable buildings and innovation and efficiency.

PostNL has published a Green Bond Framework. During the tenor of the Green Bond, PostNL will report periodically in line with this framework until an amount equal to the net proceeds of the Green Bond has been allocated to the eligible green projects. PostNL published its second Green Bond Report on 15 April 2021.

We are committed to a leverage ratio (adjusted net debt/ EBITDA) not exceeding 2.0. Currently, PostNL is rated by Standard & Poor's (S&P) at BBB+ with stable outlook.

Investor relations

PostNL endeavours to stay in regular contact with our shareholders. The main goal of our investor relations' activities is to build our financial brand. To achieve that, we strive to inform the financial community about relevant developments in our company in a transparent, consistent and timely way. The Board of Management and the investor relations team maintain an active dialogue with the financial community, and we comply with applicable laws and rules and regulations of Euronext Amsterdam and the AFM and other relevant bodies.

Our investor relations' programme consists of meetings with analysts and (potential) investors, conference calls, roadshows, investor conferences and other events. In addition, PostNL communicates with the financial community through press releases, the publication of the Annual Report, General Meetings of Shareholders and the company's website. In 2021, PostNL had contact with many (potential) investors in major financial cities in Europe and North America, for the majority by means of video calls. We meet with (potential) investors regularly to ensure they receive a balanced and complete view of the company's strategy, performance and the issues faced by the business, and to listen to their feedback, while always observing applicable rules concerning selective disclosure, equal treatment of (potential) shareholders and insider trading. In the period preceding the publication of quarterly results, PostNL will be in a 'closed period'.

Explanation by the Board of Management of quarterly results is given either at group meetings and/or conference calls which are accessible by phone and via the website (audiocast). Additionally, General Meetings of Shareholders are broadcast via audiocast. Our website provides all relevant information with regard to publication dates and procedures to attend or listen in to presentations.

Contact between the Board of Management, the financial community and the press is carefully handled and structured. The company will not compromise the independence of analysts in relation to the company and vice versa. Analysts' reports and valuations are not assessed, commented upon or corrected, other than factually, by the company. PostNL does not pay any fees to parties for carrying out research for analysts' reports or for the production or publication of analysts' reports, with the exception of credit rating agencies. Contact with our financial stakeholders is taken care of by the members of the Board of Management and PostNL's investor relations' professionals.

The Board of Management has adopted investor relations and media guidelines that PostNL employees abide by.

For the latest and archived press releases, presentations, share price information and other company information, such as our online Annual Review 2021 and interim reports, please visit PostNL's website.

Dividend and share buyback programme 2022-23

In accordance with our dividend policy, adopted on 21 February 2020, PostNL aims to pay a dividend that develops substantially in line with operational performance. Dividend distribution is conditional on being properly financed in accordance with PostNL's financial framework. PostNL is steering for a solid balance sheet with a positive consolidated equity, aiming at a leverage ratio (adjusted net debt/EBITDA) not exceeding 2.0 and applying strict cash flow management. The dividend pay-out ratio will be around 70% - 90% of normalised comprehensive income. Shareholders are offered a choice to opt for cash or shares. Dividend will be distributed twice a year, with interim dividend set at ~ 1/3 of dividend over the prior year.

Due to the strong financial performance in 2021 and the strong financial position, the leverage ratio at the end of 2021 amounted to 0.4. This allows PostNL to propose a dividend of €0.42 per ordinary share for 2021 (2020: €0.28), based on normalised comprehensive income of €285 million for 2021 and a pay-out ratio of 75%. €0.10 was paid as an interim dividend, so the final dividend to be paid in May 2022 will be €0.32 per share. This will be proposed to the Annual General Meeting of Shareholders to be held on 19 April 2022.

The current dividend policy is to be applied on any profits over the financial year 2020 and subsequent years

thereafter (until adjusted). This policy is available on PostNL's corporate website.

On 25 January 2022, PostNL announced a share buyback programme to neutralise the assumed dilutive impact of shares issued in relation to dividends over 2021-23. The company will repurchase ordinary shares of PostNL N.V. to a value of around €250 million, spread over 2022 and 2023. Based on PostNL's strong financial position and in line with its capital allocation framework, the company is well positioned to launch a share buyback programme. The programme further optimises PostNL's capital structure while adhering to its financial framework. The announced share buyback programme will be executed using cash on balance sheet.

The first tranche will be executed in 2022 and is set at between €160 million and €170 million, covering the assumed amount of stock dividend over the financial years 2021 and 2022. The execution of the programme will start after 28 February 2022, and is expected to be completed no later than October 2022. It will be executed within the limitations of the existing authority granted by the Annual General Meeting on 20 April 2021, and will be carried out in compliance with the Market Abuse Regulation. Based on the closing price of PostNL's ordinary shares on Euronext Amsterdam on 24 January 2022, the share buyback of between €160 million and €170 million to be executed in 2022 represents approximately 9.5% of ordinary shares issued. The second tranche will be executed in 2023.

PostNL intends to use any repurchased shares under the programme to cover its obligations under share-based remuneration arrangements and to deliver future dividend that may be partly paid in stock, at the choice of the shareholder. The remaining number of the bought-back shares will be cancelled.

Important dates in 2022

PostNL Financial calendar

2022

28 February	Results fourth quarter and full year 2021
19 April	Annual General Meeting of Shareholders
9 May	Results first quarter 2022
8 August	Results second quarter and half year 2022
7 November	Results third quarter 2022

PostNL Dividend calendar

2022

Final dividend 2021

21 April	Ex-dividend date
22 April	Record date
25 April	Start election period
10 May	End election period
12 May	Payment date

Interim dividend 2022

10 August	Ex-dividend date
11 August	Record date
12 August	Start election period
29 August	End election period
31 August	Payment date

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Statements of the Board of Management

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Dutch Corporate Governance Code

PostNL applies the principles and best practices of the Dutch Corporate Governance Code (the Code), as referred to in article 391, paragraph 5, book 2 of the Dutch Civil Code (DCC), except for the best practice provisions below, where we also explain why we do not comply with them. Future developments might justify further deviations from the Code at the moment of occurrence. Each substantial change in the corporate governance structure of the company and in the compliance of the company with the Code shall be discussed with the General Meeting of Shareholders. The full text of the Code can be found on www.postnl.nl.

The best practice provision 3.2.3 of the Code states that remuneration in the event of dismissal of members of the Board of Management may not exceed one year's salary (the fixed remuneration component), and that severance payments will not be awarded if the agreement is terminated early at the initiative of a member of the Board of Management. The severance payment of Herna Verhagen in case of a change of control equals 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.

Furthermore, in case of a change of control, Herna Verhagen may, under certain circumstances, receive a severance payment if the agreement is terminated at her own initiative. Herna Verhagen was employed by PostNL before the Code became first effective. PostNL is of the opinion that the agreed severance payment in case of a change of control is proportionate, considering that PostNL wishes to respect the agreement made in the past. Also, the Supervisory Board may decide that the performance shares vest in whole or in part.

Responsibility statement under the Code

The Code requires the Board of Management to provide a description of PostNL's main risks in relation to its risk appetite. Such risks may include strategic, operational, compliance, and financial reporting risks. These risks and the relation to PostNL's risk appetite are included in the chapter 'Risk and opportunity management'. The Board of Management confirms that it is responsible for PostNL's risk management, internal control, integrity, and compliance systems and has reviewed the design and the operational effectiveness of these systems for the year ended 31 December 2021.

The outcome of these reviews and the analysis has been shared with the Audit Committee and the Supervisory Board and has been discussed with PostNL's external auditor.

The same would apply in respect of material failings in PostNL's risk management, internal control, integrity and compliance systems and of material changes or improvement implemented in such systems, each if applicable. In 2021, PostNL continued to implement material organisational and IT changes and improvements.

No material failings in PostNL's risk management internal control, integrity and compliance systems were reported. Other than those described in 'Risk and opportunity management' and 'Regulatory compliance management' chapters and provided for external conditions that can reasonably be expected to have an impact on a company's results. The results of PostNL are generally not sensitive for material changes in external conditions.

Based on the outcome of the PostNL-specific approach to risk management, internal control, integrity and compliance systems as outlined in the chapters 'Risk and opportunity management' and 'Regulatory compliance management', the Board of Management believes, to the best of its knowledge, that PostNL's internal control over financial reporting worked effectively over the year ended 31 December 2021 and provides reasonable assurance that the financial reporting is free from material inaccuracies or misstatements.

Additionally, the Board of Management is of the view that considering the annually updated strategic plan and forecasts, in the current situation, it is justified that PostNL's financial reporting has been prepared on a going concern basis and that it states those material risks and uncertainties that are relevant for the expectation of PostNL's continuity for the period of twelve months after the preparation of the report. The above, however, does not imply that PostNL can provide certainty as to the realisation of strategic business and financial objectives. Nor can PostNL's approach to internal control over financial reporting be expected to prevent or detect all misstatements, errors, fraud or violation of laws or regulations.

In view of the above and based on the outline of the main risks and risk responses described in the chapter 'Risk and opportunity management', chapter 'Board of Management' believes it complies with provisions 1.4.2. and 1.4.3. of the Code.

Responsibility statement under the Dutch Financial Markets Supervision Act

With reference to section 5:25c paragraph 2 under c of the Dutch Financial Markets Supervision Act, the Board of Management confirms to the best of its knowledge that:

- The annual financial statements for the year ended 31 December 2021 give a true and fair view of the assets, liabilities, financial position, and profit or loss of PostNL and its consolidated companies.
- The Report of the Board of Management gives a true and fair view of the situation on the balance sheet date and of developments during the financial year of PostNL and its consolidated companies, together with a description of the main risks facing PostNL.

The members of the Supervisory Board and the Board of Management have signed the financial statements pursuant to their statutory obligation under article 2:101(2) of the DCC.

The Hague, the Netherlands, 28 February 2022

The Board of Management

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Consolidated primary statements

PostNL Consolidated income statement in € million

2020, 2021

Year ended at 31 December	Notes	2020 restated	2021
Revenue from contracts with customers	2.1.1	3,239	3,447
Other operating revenue		16	19
Total operating revenue		3,255	3,466
Other income	2.1.2	66	25
Cost of materials		(63)	(69)
Work contracted out and other external expenses	2.1.3	(1,519)	(1,708)
Salaries, pensions and social security contributions	2.1.4	(1,159)	(1,129)
Depreciation, amortisation and impairments	2.1.5	(164)	(149)
Other operating expenses	2.1.6	(119)	(113)
Total operating expenses		(3,023)	(3,168)
Operating income		298	324
Interest and similar income		2	1
Interest and similar expenses		(18)	(22)
Net financial income/(expense)	2.2.1	(16)	(21)
Results from investments in JVs/associates	3.7	0	(0)
Profit/(loss) before income taxes		282	302
Income taxes	2.2.2	(69)	(74)
Profit/(loss) from continuing operations		213	228
Profit/(loss) from discontinued operations	3.9	4	29
Profit for the year		216	258
Attributable to:			
Non-controlling interests		(0)	1
Equity holders of the parent		217	257

PostNL Earnings per share in € cents

2020, 2021

		2020 restated	2021
Earnings per ordinary share ¹	2.2.3	43.8	50.9
Earnings per diluted ordinary share ²	2.2.3	43.7	50.8
Earnings from continuing operations per ordinary share ¹		43.0	45.1
Earnings from continuing operations per diluted ordinary share ²		43.0	45.0
Earnings from discontinued operations per ordinary share ¹		0.7	5.8
Earnings from discontinued operations per diluted ordinary share ²		0.7	5.8

1 Earnings per ordinary share are in 2021 based on an average of 505,163,452 outstanding ordinary shares (2020: 494,633,768).

2 Earnings per diluted ordinary share are in 2021 based on an average of 505,981,123 ordinary shares on a fully diluted basis in the year (2020: 495,627,753).

PostNL Consolidated statement of comprehensive income in € million

2020, 2021

Year ended at 31 December	Notes	2020 restated	2021
Profit for the year		216	258
Actuarial gains/(losses) pensions, net of tax	3.5	(21)	606
Pension asset ceiling/minimum funding requirement, net of tax	3.5	46	(551)
Change in value of financial assets at fair value through OCI	4.2	(0)	12
Other comprehensive income that will not be reclassified to the income statement		25	67
Currency translation adjustment, net of tax		(1)	1
Gains/(losses) on cashflow hedges, net of tax		(0)	0
Other comprehensive income that may be reclassified to the income statement		(1)	1
Total other comprehensive income for the year		24	68
Total comprehensive income for the year		240	325
Attributable to:			
Non-controlling interests		(0)	1
Equity holders of the parent		240	325

PostNL Consolidated statement of cash flows in € million

2020, 2021

Year ended at 31 December	Notes	2020 restated	2021
Profit/(loss) before income taxes		282	302
Adjustments for:			
Depreciation, amortisation and impairments		164	149
Share-based payments		3	3
(Profit)/loss on disposal of assets		(63)	(4)
(Profit)/loss on sale of Group companies		(3)	(16)
Interest and similar income		(2)	(1)
Interest and similar expenses		18	22
Results from investments in JVs/associates		(0)	0
Investment income		(50)	2
Pension liabilities		(166)	53
Other provisions		(29)	(2)
Changes in provisions		(195)	51
Inventory		1	(2)
Trade accounts receivable		(78)	(23)
Other accounts receivable		20	5
Other current assets		(9)	11
Trade accounts payable		(54)	26
Other current liabilities excluding short-term financing and taxes		123	25
Changes in working capital		4	41
Cash generated from operations		208	547
Interest paid		(15)	(21)
Income taxes paid		(12)	(76)
Net cash (used in)/from operating activities	2.3.1	181	450

Year ended at 31 December	Notes	2020 restated	2021
Interest received		2	1
Disposal of subsidiaries		13	44
Investments in JVs/associates		(1)	(3)
Capital expenditure on intangible assets		(37)	(56)
Capital expenditure on property, plant and equipment		(40)	(85)
Proceeds from sale of property, plant and equipment		158	10
Changes in other loans receivable		(9)	(3)
Other changes in (financial) fixed assets		(0)	(1)
Net cash (used in)/from investing activities	2.3.2	85	(92)
Dividends paid		0	(113)
Changes related to non-controlling interests		(1)	0
Proceeds from short-term borrowings		1	0
Repayments of short-term borrowings		(1)	(5)
Repayments of leases/incentives		(79)	(69)
Net cash (used in)/from financing activities	2.3.3	(80)	(186)
Total change in cash from continuing operations		186	172
Cash and cash equivalents at the beginning of the year		480	651
Cash transfers relating to discontinued operations		(15)	25
Total change in cash from continuing operations		186	172
Cash and cash equivalents at the end of the year		651	848
Total change in cash from discontinued operations	3.9	(11)	

PostNL Consolidated statement of financial position in € million

2020, 2021

At 31 December	Notes	2020 restated	2021
Assets			
Goodwill		208	207
Other intangible assets		132	147
Intangible fixed assets	3.3	339	354
Land and buildings		210	254
Plant and equipment		106	141
Other equipment		10	13
Construction in progress		44	25
Property, plant and equipment	3.2	370	433
Right-of-use assets	3.4	243	289
Investments in joint ventures/associates	3.7	3	6
Loans receivable	4.1	27	20
Deferred tax assets	3.8	10	11
Financial assets at fair value through OCI	4.2	15	28
Financial fixed assets		54	65
Total non-current assets		1,007	1,141
Inventory		3	5
Trade accounts receivable	3.1.1	336	353
Accounts receivable	3.1.1	18	11
Income tax receivable		31	25
Prepayments and accrued income		100	90
Cash and cash equivalents	4.1	651	848
Total current assets		1,140	1,332
Assets classified as held for sale	3.9	55	11
Total assets		2,201	2,484

At 31 December	Notes	2020 restated	2021
Equity and liabilities			
Equity attributable to the equity holders of the parent		211	426
Non-controlling interests		2	3
Total equity	2.4	213	429
Deferred tax liabilities	3.8	23	37
Provisions for pension liabilities	3.5	86	67
Other provisions	3.6	30	29
Long-term debt	4.1	696	697
Long-term lease liabilities	3.4	231	269
Other long-term liabilities	4.1	0	31
Total non-current liabilities		1,065	1,129
Trade accounts payable		141	168
Other provisions	3.6	21	21
Short-term debt	4.1	12	4
Short-term lease liabilities	3.4	63	65
Other current liabilities	3.1.2	145	111
Income tax payable		2	1
Contract liabilities	3.1.3	69	70
Accrued current liabilities	3.1.4	445	487
Total current liabilities		898	927
Liabilities related to assets classified as held for sale	3.9	25	0
Total equity and liabilities		2,201	2,484

PostNL Consolidated statement of changes in equity in € million

2020, 2021

	Issued share capital	Additional paid-in capital	Other reserves ¹	Retained earnings	Attributable to equity holders of the parent	Non-controlling interests	Total equity
Balance at 31 December 2019	40	160	(103)	(118)	(21)	3	(18)
Effect of restatement			(12)		(12)		(12)
Balance at 1 January 2020	40	160	(115)	(118)	(33)	3	(30)
Total comprehensive income			24	217	240	(0)	240
Appropriation of net income			(432)	432	0		0
Share-based compensation	0	1	2		3		3
Minority buy-out and other					0	(1)	(1)
Balance at 31 December 2020	40	161	(520)	531	211	2	213
Total comprehensive income			68	257	325	1	325
Appropriation of net income			305	(305)	0		0
Final dividend previous year	1	(1)		(84)	(84)		(84)
Interim dividend current year	0	(0)		(29)	(29)		(29)
Share-based compensation	0	3	(0)		3		3
Balance at 31 December 2021	41	163	(148)	370	426	3	429

¹ The other reserves include the currency translation reserve, the hedge reserve and the reserve relating to financial assets at fair value through OCI. Reference is made to note 2.4.

Section 1: Basis of preparation

1.1 General information

PostNL N.V. is a public limited liability company with its registered seat and head office in The Hague, the Netherlands. PostNL provides businesses and consumers in the Benelux with an extensive range of services for their mail and parcels needs. Through our international sales network Spring, we connect local businesses around the world to consumers globally. PostNL's services involve collecting, sorting, transporting and delivering letters and parcels for the company's customers within specific timeframes. The company also provides services in the area of data management, direct marketing and fulfilment.

The consolidated financial statements include the financial statements of PostNL N.V. and its consolidated subsidiaries (hereafter referred to as 'PostNL', 'Group' or 'the company'). The consolidated financial statements were authorised for issue by PostNL's Board of Management and Supervisory Board on 28 February 2022 and are subject to adoption at the Annual General Meeting of Shareholders on 19 April 2022.

1.2 Accounting principles applied

The consolidated financial statements of PostNL:

- have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), including International Accounting Standards (IAS) and related interpretations of the IFRS Interpretations Committee (IFRICs), and Dutch law,
- have been prepared under the historical cost convention, except for financial instruments, and
- have been prepared assuming a going concern.

The significant accounting policies applied in the preparation of these consolidated financial statements are included at the relevant notes to the consolidated financial statements or, in case of more general policies, in note 5.4 to the consolidated financial statements. These policies have been consistently applied to all the years presented, unless stated otherwise. All amounts included in the consolidated financial statements are presented in euros, unless stated otherwise. Note that the numbers presented in the financial statements and disclosures thereto may not sum precisely to the totals provided and percentages may not precisely reflect the absolute figures due to rounding.

Covid-19 impact assessment

PostNL's performance in 2021 was positively impacted by the Covid-19 situation. Since the start of the Covid-19 crisis in 2020, e-commerce growth has picked up significantly and the transition from offline to online has accelerated, boosting the results of Parcels. Within Mail in the Netherlands, PostNL benefitted in 2021 from high volumes related to vaccination campaigns and tests. Part of the growth and performance relates to specific, non-recurring, consumer spending and a temporary shift in product mix that is not expected to recur.

Management assessed the impact of Covid-19 on all material assets and liabilities. We performed a review for impairment triggers on goodwill and other intangibles, PP&E and Right-of-Use assets. We also analysed the trade accounts receivable position and customers' payment behaviour. And last we assessed the need to make adjustments to the fair value accounted financial assets and balance sheet positions related to our non-current assets held for sale. The assessment did not reveal any need for significant negative adjustments to the accounts mentioned in and per year end 2021.

Sale of Nexive

On 1 July 2020, PostNL completed the sale of 80% of the activities of Nexive to Mutares. On 29 January 2021, PostNL and Mutares closed the sale of Nexive to Poste Italiane, whereby PostNL divested its retained minority interest of 20% in the entity acquiring the Nexive business. PostNL also terminated the joint venture agreement with Mutares, which resulted in the release of the remaining part of the related committed cash contributions. The transaction resulted in a net result of €24 million (including final settlement) and cash proceeds of €27 million. For further details, see note 3.9 Assets classified as held for sale.

Acquisition of Sandd

On 27 September 2019, the State Secretary of Economic Affairs cleared the merger between PostNL and Sandd. Legal appeals have been filed by a number of parties against the approval. On 11 June 2020 the court (Rechtbank Rotterdam) annulled the approval for consolidation in the Dutch postal market. The government has appealed against the court decision. PostNL has also decided to appeal. On 9 April 2021, the earlier approval of the merger was confirmed by a new decision taken by the State Secretary. This new decision, which has retroactive effect, will be included in the appeal procedure. Awaiting next steps, PostNL will continue to adhere to the conditions imposed in relation to the acquisition. As we have obtained control as of the acquisition date of 22 October 2019, we have fully consolidated Sandd in our financial statements as of that date going forward.

Going concern

Based on the cash flow-generating capability of the company, the current finance structure and the company's ability to realise its assets and discharge its liabilities in the normal course of business, PostNL's financial statements have been prepared assuming a going concern. As at 31 December 2021, the balance of cash and cash equivalents amounted to €848 million and the company has an undrawn multi-currency revolving credit facility of €200 million. Its financing arrangements do not include financial covenants. Bond repayments are not due until 2024. Although the company remains vulnerable to interest rate changes in relation to its pension obligations, it can also benefit from an environment of increasing interest rates.

1.3 Critical accounting estimates and judgements

The preparation of PostNL's consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. It also requires management to exercise its judgement in the process of applying PostNL's accounting policies.

Estimates, assumptions and judgements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting positions will, by definition, seldom equal the related actual results. On a continuous basis, we evaluate our expectations with the actual results, and include the learnings going forward.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed below.

Post-employment benefits

Post-employment benefit accounting is intended to reflect the recognition of future benefit costs over the employee's approximate service period, based on the terms of the plans and the investment and funding decisions made. The accounting requires the company to make assumptions regarding variables such as the discount rate, the rate of benefit increases and future mortality rates. Changes in these key assumptions can have a significant impact on the defined benefit obligations, funding requirements and pension costs incurred. For details of the current funded status and a sensitivity analysis with respect to defined benefit plan assumptions, see note 3.5 to the consolidated financial statements.

Restructuring and other provisions

Restructuring charges mainly result from restructuring of our operations and overhead, including that of the acquired businesses of Sandd, as a response to declining volumes in Mail in the Netherlands. The scope and measurement of PostNL's related restructuring provision depends highly on the projected cash outflows over the future years, which are mainly driven by the estimated number of staff that will either be made redundant or apply for a mobility arrangement.

Other provisions include expected costs related to other employee benefit obligations (jubilee and long-term disability benefits), claims & indemnities, onerous contracts and dilapidation costs. The provisions recorded reflect the present value of management's best estimate of the expenditure required to settle the obligation. Given the uncertain outcome, management must use a certain degree of judgement in this respect. This includes the thorough analysis and concluding view of our position and that of the third party.

For details on the current restructuring and other provisions, see note 3.6 to the consolidated financial statements.

Impairment of assets

In determining impairments of intangible assets including goodwill, tangible fixed assets and financial fixed assets, management must make significant judgements and estimates to determine whether the recoverable amount is less than the carrying value. The recoverable amount is the higher of the fair value less costs of disposal and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the asset-specific risks. Determining cash flows requires the use of judgements and estimates that have been included in PostNL's strategic plans and long-term forecasts. The data necessary for the execution of the impairment tests are based on management estimates of future cash flows, which make it necessary to estimate revenue growth rates and profit margins. For details on the impairment test of goodwill, see note 3.3 to the consolidated financial statements.

Deferred revenue and revenue related accruals

PostNL has to estimate the deferred revenues from stamps sold but not yet used by its customers. The company uses a seasonal model based on historical figures in order to account for the seasonal effects on sales from stamps (for example, stamp sales for Christmas greetings in November and December). Additionally, the company handles large quantities of international mail and parcel volumes to and from foreign postal operators. Although the net outstanding accrual positions reflect our best estimate, given the assumptions involved, final settlements

might deviate from the outstanding positions. For details on the current positions, see note 3.1 to the consolidated financial statements.

Income taxes and deferred tax assets

The company is subject to income taxes in a number of jurisdictions. Significant judgement is required in determining the provision and liability for income taxes. PostNL recognises liabilities for potential tax issues based on estimates of whether additional taxes will be due, based on its best interpretation of the relevant tax laws and rules. PostNL recognises deferred tax assets to the extent that it is probable that future taxable profits will allow the deferred tax asset to be recovered. This is based on estimates of taxable income by jurisdiction in which the company operates and the period over which deferred tax assets are recoverable. For details on income taxes and deferred tax assets, see notes 2.2.2 and 3.8 to the consolidated financial statements.

Assets classified as held for sale

For assets classified as held for sale, including liabilities related to these assets, management needs to determine the fair value less costs to sell. In assessing this value, management needs to make significant judgements and estimates, influenced by the asset-specific characteristics, market appetite, the envisaged structuring of the sales transaction, and received proposals. For details on the assets classified as held for sale, see note 3.9 to the consolidated financial statements.

Contingent liabilities

Legal proceedings covering a range of matters are pending against the company in various jurisdictions. The cases and claims often raise difficult and complex factual and legal issues that are subject to many uncertainties and complexities, including but not limited to the facts and circumstances of each particular case and claim, the jurisdiction and the differences in applicable law. PostNL consults with legal counsel and certain other experts on matters related to litigation. PostNL recognises a liability when it is determined that an adverse outcome is probable and the amount of the loss can be reasonably estimated. For details on commitments and contingencies, see note 3.10 to the consolidated financial statements.

Determining the lease term of contracts with renewal and/or termination options

PostNL determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. PostNL has several lease contracts that include extension and termination options. The company

applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, PostNL reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate. For details on leases, see note 3.4 to the consolidated financial statements.

1.4 Changes in accounting policies and disclosures

The following provides a brief description of recent issued International Financial Reporting Standards, amendments and/or interpretations, that could have a material impact on our financial statements.

Change in accounting policy: Configuration or customisation costs in a cloud computing arrangement (IAS 38)

Until 2020 PostNL capitalised all Software-as-a-Service (SaaS) related configuration and/or customisation costs, whether the services have been delivered by the SaaS supplier or by an independent third party supplier, as prepayments. The prepayments have subsequently been expensed over the contract term during which the supplier provided access to the application software.

As of 2021, following the publication of an IFRIC interpretation, PostNL only capitalises the costs of those services that are not separately identifiable from the company's right to receive access to the supplier's application software. All related other costs are recognized as expenses when the services are delivered. In line with IAS 8, the accounting policy change has been applied retrospectively as of 1 January 2020.

The impact on the balance sheet per 1 January 2020 is a decrease in prepayments of €16 million, an increase in current tax receivables of €4 million and a decrease in equity of €12 million. The positive impact on operating income and net profit of 2020 amounted to €5 million and €4 million respectively. Within the cash flow statement of 2020, the higher profit before income taxes was countered by a lower change in working capital. The impact on the balance sheet per 31 December 2020 is a decrease in prepayments of €11 million, an increase in current tax receivables of €3 million and a decrease in equity of €8 million.

Amendments to IFRS 16: Covid-19 Related Rent Concessions

The amendments to IFRS 16 Leases provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the

Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021. This amendment had no impact on the consolidated financial statements of the Group.

There are no other IFRS standards, amended standards or IFRIC interpretations taking effect for the first time for the financial year beginning 1 January 2021 that would be expected to have a material impact on the 2021 accounts of the Group.

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the financial statements have been reviewed by the Group. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective. It is not expected that the Group's consolidated financial statements will be significantly impacted.

Section 2: Result for the year

2.1 Operating income

2.1.1 Total operating revenue

Accounting policies

Revenue recognition

PostNL's revenue from contracts with customers consist of the provision of postal and logistics services. Revenue from contracts with customers is recognised when the goods are transferred or the services are rendered to the customer at an amount that reflects the consideration to which PostNL expects to be entitled in exchange for those goods or services. Revenue is the gross inflow of economic benefits during the current year that arise from ordinary activities and result in an increase in equity, other than increases relating to contributions from equity participants.

Variable consideration/volume discounts

If the consideration in a contract includes a variable amount, PostNL estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. PostNL provides volume discounts to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Discounts are offset against amounts invoiced to the customer. To estimate the variable consideration for the expected future discounts, PostNL applies the expected value method. The variable consideration can be reasonably accurately determined from achieved volumes and contract agreements.

Contract liabilities

A contract liability is the obligation to transfer goods or render services to a customer for which PostNL has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before PostNL transfers goods or renders services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when PostNL performs under the contract and relate to amongst others deferred revenue from unused stamps, deferred revenue from franking machines and the rental of mailboxes. See note 3.1.3 to the consolidated financial statements.

Revenue from contracts with customers

Revenue from contracts with customers represent revenue from the transfer of goods and rendering of services to third parties less discounts, credit notes and taxes levied on sales. Accumulated experience is used to estimate and provide for the discounts.

Other operating revenue

Other operating revenue relates to the sale of goods and rendering of services not related to PostNL's ordinary postal and logistics services and mainly include rental income of temporarily leased-out property and custom clearance income.

The company's business involves the logistical service of delivering mail, parcels and other consignments. Nearly all of the company's revenues are represented by a single performance obligation being 'logistic services'. Revenue is being recognised at a point in time when the goods are transferred or services are rendered to the customer, generally on delivery of the mail, parcels or other consignments. Other performance obligations within the company's business comprise

the rental of post-boxes (revenue recognition over time) and stamp collection services (revenue recognition at a point in time).

The following table presents PostNL's revenue from contracts with customers relating to the reported operating segments. Refer to note 2.5 for the segment information of the other revenue and eliminations.

PostNL Revenue from contracts with customers in € million

2020, 2021

Year ended at 31 December	2020	2021
Parcels	2,044	2,353
Mail in the Netherlands	1,702	1,671
PostNL Other	107	199
Eliminations	(614)	(777)
Total	3,239	3,447

The increase in revenue mainly related to volume growth within Parcels supported by the impact of Covid-19, partly offset by the continued volume decline in addressed mail.

The following table presents the geographical segmentation of revenue from contracts with customers. The basis of allocation of revenue by geographical area is the country or region in which the entity recording the sales is located.

PostNL Geographical segmentation in € million

2020, 2021

Year ended at 31 December	2020	2021
The Netherlands	2,833	2,982
Rest of Europe	203	252
Europe	3,035	3,235
Rest of the World	203	212
Total	3,239	3,447

2.1.2 Other income**Accounting policies**

Other income mainly relates to the profit or loss from the sale of group companies, the sale of assets held for sale and the sale or sale-and-leaseback of property, plant and equipment.

In 2021, other income of €25 million mainly relates to the profit on the sale Cendris, a subsidiary of Mail in the Netherlands (€16 million), an amount received back from the purchase price of the acquisition of Sandd in 2019 and the profit on the sale of real estate in the Netherlands. In 2020, other income of €66 million mainly relates to the book profit of €60 million on the sale-and-leaseback transaction, described in further detail hereafter. The remaining part of other income mainly relates to the profit on the sale of other buildings and the sale of Adeptiv, a subsidiary of Mail in the Netherlands (€3 million).

Sale-and-leaseback transaction

On 5 November 2020, PostNL entered into a sale-and-leaseback transaction relating to four mail sorting centres and the international sorting centre. PostNL received gross proceeds of €150 million from this transaction. The related book gain of €60 million is reported within other income. The transaction resulted in the disposal of property, plant and equipment for €36 million, the disposal of right-of-use assets for €7 million (leasehold land and buildings), new lease liabilities of €66 million and additions in right-of-use assets of €21 million. The new leases were discounted with rates between 3.0-3.3%, the lease terms varying between 5 and 10 years.

2.1.3 Work contracted out and other external expenses

Accounting policies

Operating expenses related to ordinary activities are recognised on an accrual basis. In case it is not possible to directly relate the operating expenses to a particular income earned or expected future income, these expenses are recognised in the period incurred.

Lease expenses

As from 2019, lease expenses relate to short-term leases and leases of which the underlying assets are of low value. Payments made (net of any incentives received from the lessor) are charged to the income statement as incurred during the period of the lease.

PostNL Work contracted out and other external expenses in € million

2020, 2021

Year ended at 31 December	2020	2021
	restated	
Parcels	816	1,017
Mail in the Netherlands	451	426
PostNL Other	67	78
Work contracted out	1,333	1,522
Rent & lease expenses	14	13
External temporary staff	172	174
Total	1,519	1,708

Costs of work contracted out and other external expenses increased by €189 million in 2021 mainly due to increased volumes and service expansion within Parcels.

2.1.4 Salaries, pensions and social security contributions

PostNL Salaries, pensions and social security contribution in € million

2020, 2021

Year ended at 31 December	2020	2021
Salaries	866	849
Social security charges	138	123
Salaries and social security charges	1,005	972
Defined benefit plans	133	149
Defined contribution plans	12	12
Pension charges	145	161
Net addition to restructuring provisions	6	(2)
Share-based payments	3	3
Gross salaries, pensions and social security contributions	1,159	1,134
Capitalised salary costs		(5)
Total	1,159	1,129

In 2021, pension charges increased by €16 million, resulting from higher regular defined benefit charges. More detailed information on pensions is included in note 3.5 Provisions for pension liabilities. For the net additions to restructuring provisions reference is made to note 3.6 Other provisions. The capitalised salary costs related to IT investments as disclosed in note 3.3 Intangible fixed assets.

PostNL Labour force as indicated

2020, 2021

	2020	2021
¹		
Headcount		
Parcels	7,716	8,246
Mail in the Netherlands	31,498	27,611
PostNL Other	1,327	1,508
Total at year end	40,541	37,365
Full-time equivalents (FTEs)		
Parcels	6,295	6,862
Mail in the Netherlands	14,803	13,934
PostNL Other	1,206	1,385
Total year average	22,304	22,181
External temporary staff year average	1,957	2,978

¹ Including temporary personnel on our payroll; the external temporary staff are additional.

The total headcount of PostNL decreased by 3,176 employees, which mainly relates to the sale of Cendris and the reduction within Mail in the Netherlands due to the impact of volume decline and cost savings initiatives, partly offset by an increase within Parcels due to growth in parcel volumes. The labour force is also measured in FTEs based on the hours worked divided by the local standard. In 2021, the average number of FTEs decreased by 123 FTEs compared to 2020. The average number of employees working in the Netherlands was 21,332 FTEs (2020: 21,485) and outside the Netherlands was 848 FTEs (2020: 819).

2.1.5 Depreciation, amortisation and impairments**PostNL Depreciation, amortisation and impairments** in € million

2020, 2021

Year ended at 31 December	2020	2021
Amortisation of intangible assets	37	40
Impairment of intangible assets	6	1
Depreciation property, plant and equipment	49	46
Depreciation right-of-use assets	70	62
Impairment of right-of-use assets	1	
Total	164	149

In 2020, depreciation and amortisation include €14 million of accelerated write-down of assets from Sandd, mainly related to right-of-use assets. A large part of Sandd's assets has only been used until February 2020 and were therefore depreciated in 3 months as of the acquisition date.

In 2021, amortisation of intangible assets related to software for €37 million (2020: €33 million) and other intangibles for €3 million (2020: €4 million). The increase in amortisation of software relate to increased investments in IT projects. In 2020, the impairment of intangible assets included €4 million related to the customer list of PS Nachtdistributie within Parcels, triggered by a material deviation in the actual and expected revenues and EBITDA development compared to the expectations applied in the purchase price allocation valuation at acquisition in 2017.

The decrease in depreciation of property, plant and equipment and right-of-use assets mainly relates to the accelerated depreciation of assets from Sandd in 2020, the sale of Cendris and Adeptiv, the sale-and-leaseback transaction of four mail sorting centres and the international sorting centre in 2020, partly offset by an increase in depreciation resulting from the growth of the business within Parcels.

2.1.6 Other operating expenses

The other operating expenses of €113 million (2020: €119 million) consist of IT, communication, office, travel, consulting and training expenses and other shared services costs.

In 2021, total incurred EY audit fees amounted to €2.3 million (2020: €2.5 million).

PostNL Audit fees in € million

2020, 2021

Year ended at 31 December	2020	2021
Audit fees	2.0	1.8
Audit-related fees	0.5	0.6
Tax advisory fees	0.0	0.0
Other non-audit services	0.0	0.0
Total	2.5	2.3

Audit fees include fees from the audit of the financial statements. Audit-related services include fees from assurance engagements related to the corporate responsibility information, regulatory reporting obligations, employee benefit plan data and other assurance engagements for the benefit of third parties. Other non-audit services include fees from, amongst others, consent and comfort letters to security offering and agreed upon procedures.

In accordance with Dutch legislation, article 2:382a of the Dutch Civil Code, the total audit and audit-related fees charged by the auditor EY based in the Netherlands amounted to €2.0 million (2020: €2.1 million), subdivided into audit services of €1.5 million and audit-related services of €0.5 million.

2.2 Net profit and earnings per share

2.2.1 Net financial expense/(income)

Accounting policies

Interest income and expense are recognised on a time-proportionate basis using the effective interest method. All borrowing costs are recognised in profit or loss using the effective interest method, except to the extent that they can be capitalised as cost of a qualifying asset.

PostNL Net financial expense/(income) in € million

2020, 2021

Year ended at 31 December	2020	2021
Interest expenses on long-term borrowings	7	7
Interest on net defined benefit pension liabilities	2	1
Interest on leases	4	7
Other	6	8
Interest and similar expense	18	22
Other interest and similar income	(2)	(1)
Net financial expense/(income)	16	21

2.2.2 Income taxes

Accounting policies

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in other comprehensive income. The amount of income tax included in the income statement is determined in accordance with the rules established by the tax authorities, based on which income taxes are payable or recoverable.

PostNL Income taxes in € million

2020, 2021

Year ended at 31 December	2020 restated	2021
Current tax expense	(16)	83
Changes in deferred taxes	86	(10)
Total income tax expense	69	74
Income taxes paid	12	76

The difference between the total income taxes in the income statement and the current tax expense is due to temporary differences. These differences are recognised as deferred tax assets or deferred tax liabilities, see note 3.8 to the consolidated financial statements.

In 2021, the income taxes paid relates mainly to income taxes paid in the Netherlands and Belgium and include payments and refunds related to prior years. The 2021 difference between the total income tax expense (€74 million) and the income taxes paid (€76 million) can mainly be explained by the changes in deferred taxes (€10 million) and the 2021 movements of the net income tax receivable position (€(5) million).

PostNL Effective income tax rate in %

2020, 2021

Year ended at 31 December	2020	2021
Dutch statutory income tax rate	25.0	25.0
Adjustment regarding statutory income tax rates other countries	0.0	0.0
Weighted average statutory tax rate	25.0	25.0
Tax effects of:		
Non and partly deductible costs	0.9	0.9
Exempt income	(0.4)	(1.5)
Other	(0.9)	(0.0)
Effective income tax rate	24.6	24.4

The line 'Non and partly deductible costs' mainly relates to the so-called mixed expenses (e.g. meals, entertainment), the non deductible treatment of our share based payments and a non deductible provisioned regulatory fine (ACM). The line 'Exempt income' relates to the non taxable treatment of our results from (former) participations, which in 2021 mainly consisted of the gain on the sale of Cendris. The line 'Other' consisted in 2021 mainly of the impact of the recognition

of previously unrecognised tax losses in various countries, in particular Belgium (-1.1%), the impact of tax rate changes in the Netherlands on our deferred tax positions going forward (0.7%), updates of our prior year tax positions in the Netherlands (0.1%) and several smaller effects (0.3%).

2.2.3 Earnings per ordinary share: 50.9 eurocents (2020: 43.8 eurocents)**Accounting policies**

PostNL presents (diluted) earnings per share (EPS) for its ordinary shares. EPS is calculated by dividing the profit or loss attributable to the equity holders of the parent by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is calculated by dividing the profit or loss attributable to the equity holders of the parent by the weighted average number of ordinary shares outstanding, including the effects for dilution of ordinary shares following the obligations to employees under existing share plans.

The following table summarises the outstanding shares for PostNL's calculation related to earnings per share.

PostNL (Average) number of outstanding ordinary shares in shares

2020, 2021

Year averages and numbers at 31 December	2020	2021
Number of issued and outstanding ordinary shares	494,991,389	513,252,013
Shares held by the company to cover share plans	0	0
Average number of ordinary shares per year	494,633,768	505,163,452
Diluted number of ordinary shares per year	993,985	817,671
Average number of ordinary shares per year on a fully diluted basis	495,627,753	505,981,123

At 31 December 2021, PostNL had potential obligations under share plans to deliver 817,671 shares (2020: 993,985 shares), calculated based on the share price of €3.827 as at 31 December 2021 (31 December 2020: €2.79).

2.3 Cash flow performance

Accounting policies

The consolidated statement of cash flows is prepared in accordance with IAS 7 using the indirect method. Cash flows in foreign currencies are translated at average exchange rates. Receipts and payments with respect to taxation on profits and interest payments are included in the cash flow from operating activities. Interest receipts and the cost of acquisition of subsidiaries, associates and investments, insofar as it was paid for in cash, are included in cash flows from investing activities. Acquisitions of subsidiaries are presented net of cash balances acquired. Cash flows from derivatives are recognised in the statement of cash flows in the same category as those of the hedged item.

2.3.1 Net cash (used in)/from operating activities

In 2021, net cash from operating activities of €450 million (2020: €181 million) resulted from €547 million of cash generated from operations (2020: €208 million) reduced by €21 million interest paid (2020: €15 million) and €76 million income tax paid (2020: €12 million).

Cash generated from operations

The increase in cash generated from operations of €339 million is explained by €57 million higher profit before income tax adjusted for non-cash items and investment income, a higher change in pension liabilities of €219 million, a higher change in other provisions of €27 million and by a higher change in working capital of €37 million.

PostNL Cash generated from operations in € million

2020, 2021

Year ended at 31 December	2020 restated	2021
Total profit before tax adjusted for non cash items and investment income	399	456
Pension expense defined benefit plans	133	149
Cash contributions defined benefit plans	(99)	(80)
Payment unconditional funding obligation		(16)
Final payment transitional plans	(200)	
Change in pension liabilities	(166)	53
Additions to/releases from provisions	15	7
Withdrawals	(43)	(9)
Change in other provisions	(29)	(2)
Changes in working capital	4	41
Total cash generated from operations	208	547

For the changes in provisions, reference is made to note 3.5 Provisions for pension liabilities and to note 3.6 Other provisions. The lower investments in working capital mainly related to a lower increase in trade receivables within Parcels, higher trade payables within Mail in the Netherlands, partly offset by lower VAT payable and a lower increase in accruals for terminal dues and expenses to be paid.

Interest paid

The interest paid is explained as follows:

PostNL Interest paid in € million

2020, 2021

Year ended at 31 December	2020	2021
Interest on long-term borrowings	6	6
Interest on leases	4	7
Bank charges and other	6	9
Total	15	21

Income taxes paid

The income taxes paid of €76 million (2020: €12 million) mainly relates to income taxes paid in the Netherlands and Belgium and include payments and refunds related to prior years.

2.3.2 Net cash (used in)/from investing activities

PostNL Net cash investing activities in € million

2020, 2021

Year ended at 31 December	2020	2021
Disposal of subsidiaries	13	44
Capital expenditure on intangible assets and property, plant and equipment	(78)	(140)
Proceeds from sale of property, plant and equipment	158	10
Changes in other loans receivable	(9)	(3)
Other	1	(2)
Net cash (used in)/from investing activities	85	(92)

Disposal of subsidiaries

In 2021, disposal of subsidiaries of €44 million relates to the net cash received for the sale of Cendris, a subsidiary from Mail in the Netherlands. The book profit on the sale of Cendris of €16 million is included in other income in the consolidated income statement. In 2020, disposal of subsidiaries includes €7 million net cash received for the sale of Adeptiv, a subsidiary from Mail in the Netherlands. The book profit on the sale of Adeptiv of €3 million is included in other income in the consolidated income statement. Further, disposal of subsidiaries included an amount of €7 million relating to the sale of PostNL Communicatie Services in 2019, a subsidiary from Mail in the Netherlands.

Capital expenditure on intangible assets and property, plant and equipment

In 2021, capital expenditures on intangible assets of €56 million (2020: €37 million) mostly related to software including prepayments for software. The capital expenditures on property, plant and equipment amounting to €85 million (2020: €40 million) mainly related to new sorting and delivery centres within Parcels, investments in the new head office and to various other equipment. Capital expenditures are funded primarily by cash generated from operations and are part of strict cash control and review.

Proceeds from sale of property, plant and equipment

In 2021, proceeds from the sale of property, plant and equipment amounted to €10 million (2020: €158 million) and related to the sale of real estate in the Netherlands (2020: €10 million). In 2020, an amount of €148 million was included resulting from the sale-and-leaseback transaction of four mail sorting centres and the international sorting centre, net of transaction costs. For further information on the sale-and-leaseback transaction, reference is made to note 2.1.2 Other income.

Changes in other loans receivable

In 2021, changes in other loans receivable included an increase of a lessor loan of €4 million (2020: €10 million) relating to the lease of a sorting machine by Bol.com.

Other

In 2021, an amount of €(2) million is included for the acquisition of 25% of the shares of VersTrade Nederland, an associated company.

2.3.3 Net cash (used in)/from financing activities

PostNL Net cash financing activities in € million

2020, 2021

Year ended at 31 December	2020	2021
Dividends paid		(113)
Changes related to non-controlling interests	(1)	
Net cash from debt financing activities		(5)
Repayments of leases/incentives	(79)	(69)
Net cash (used in)/from financing activities	(80)	(186)

In 2021, net cash from financing activities of €(186) million (2020: €(80) million) mainly related to the final 2020 and interim 2021 cash dividend paid of €113 million and the repayments of leases of €69 million (2020: €79 million). The net cash from debt financing activities includes an amount of €4 million for the repayment of a (legal) lease loan relating to two Parcel sorting centres and sorting machines. Refer to note 3.4 for further information on leases. Reference is also made to note 4.1 Net debt and note 4.5 Financial instruments.

2.4 Other comprehensive income and equity development

The increase of total equity from €213 million on 31 December 2020 to €429 million on 31 December 2021 is mainly explained by net profit for the year of €258 million and other comprehensive income of €68 million, partly offset by the payments of cash dividends of €113 million in total. Other comprehensive income mainly consisted of a positive impact from pensions of €54 million.

PostNL Other reserves in € million

2020, 2021

	Currency translation reserve	Hedge reserve	Financial assets at fair value OCI	Other reserves	Total other reserves
Balance at 31 December 2019	0	(2)	14	(115)	(103)
Effect of restatement				(12)	(12)
Balance at 1 January 2020	0	(2)	14	(127)	(115)
Total comprehensive income	(1)	(0)	(0)	25	24
Appropriation of net income				(432)	(432)
Share-based compensation				2	2
Other			(6)	6	0
Balance at 31 December 2020	0	(2)	7	(526)	(520)
Total comprehensive income	1	0	12	54	68
Appropriation of net income				305	305
Share-based compensation				(0)	(0)
Balance at 31 December 2021	1	(2)	20	(167)	(148)

Currency translation reserve

As at 31 December 2021, the translation reserve amounted to €1 million (2020: €0 million), mainly reflecting the movement in exchange rate differences on converting subsidiaries of Spring within Parcels into euros.

Hedge reserve

As at 31 December 2021, the hedge reserve amounted to €(2) million (2020: €(2) million). The tax impact on the cash flow hedges included in the hedge reserve as at 31 December

Issued share capital and Additional paid-in-capital

As at 31 December 2021, issued share capital amounted to €41 million (2020: €40 million) and additional paid-in-capital amounted to €163 million (2020: €161 million). For details on Issued share capital and Additional paid-in capital, reference is made to note 4.6.

The following table presents the reserves included in the other reserves.

2021 is €0 million (2020: €0 million). For more information, see note 4.5 to the consolidated financial statements.

Financial assets at fair value through OCI

As at 31 December 2021, the reserve related to the financial assets at fair value through OCI amounted to €20 million (2020: €7 million). The increase of €12 million mainly related to the increase in value of the investment in Whistl. The decrease in 2020 related for €6 million to a reclassification to the other reserves resulting from the reduction of our stake in Whistl. For more information, see note 4.2 to the consolidated financial statements.

Other reserves

As at 31 December 2021, the other reserves amounted to €(167) million (2020: €(526) million). In 2021, the other reserves increased by €359 million mainly resulting from the appropriation of net income from 2020 of €305 million and a positive pension effect within other comprehensive income (net of tax) of €54 million. For details on pensions, reference is made to note 3.5.

Retained earnings

As at 31 December 2021, retained earnings amounted to €370 million (2020: €531 million). In 2021, retained earnings decreased by €161 million due to the appropriation of net income from 2020 of €(305) million and the payment of cash dividends of €113 million, partly offset by total profit for the year attributable to the shareholders of the parent of €257 million in 2021.

The Board of Management has proposed to make an amount of €164 million out of corporate profit for the year 2021 available for distribution of dividend. Refer to note 6.5 for more details of this proposal.

2.5 Segment information**Accounting policies**

PostNL reports two operating segments: Parcels and Mail in the Netherlands and one other segment: PostNL Other. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. These chief operating decision-makers, who are responsible for allocating resources and assessing the performance of the operating segments, have been identified as the Board of Management of PostNL that makes strategic decisions. Transfer prices between operating segments are on an arm's length basis. PostNL Other represents head office entities, including the difference between the recorded IFRS pension expense for the defined benefit pension plans and the actual cash contributions.

The following table presents the reconciliation of the 2021 segment information relating to the income statement of the reportable segments. Segment information relating to the balance sheet is reported in note 3.11.

PostNL Segmentation in € million

2021

Year ended at 31 December 2021	Parcels	Mail in NL	PostNL Other	Eliminations	Total
Revenue from contracts with customers	2,104	1,338	5		3,447
Intercompany sales	250	333	194	(777)	0
Other operating revenue	7	11	1		19
Total operating revenue	2,361	1,683	200	(777)	3,466
Other income	0	25	0		25
Depreciation/impairment PP&E	(28)	(14)	(4)		(46)
Amortisation/impairment intangibles	(9)	(13)	(19)		(41)
Depreciation/impairment right-of-use assets	(39)	(12)	(12)		(62)
Total operating income	230	176	(81)		324
Net financial income/(expense)					(21)
Results from investments in JVs/associates					(0)
Income taxes					(74)
Profit/(loss) from discontinued operations					29
Profit for the year					258
Normalised EBIT	230	160	(81)		308

The key financial performance indicator for management of the reportable segments is normalised EBIT. Normalised EBIT is derived from the IFRS-based performance measure operating income adjusted for the impact of project costs and incidentals. Normalised EBIT is reported on a monthly basis to the chief operating decision-makers. The following table presents the reconciliation from reported operating income to normalised EBIT.

PostNL From operating income to normalised EBIT in € million

2021

Year ended at 31 December	Reported operating income	Book profit from the sale of Cendris	Project costs and other	Normalised EBIT
Parcels	230			230
Mail in NL	176	(16)	0	160
PostNL Other	(81)			(81)
Total 2021	324	(16)	0	308

From operating income to normalised EBIT

In 2021, normalised EBIT totalled €308 million (2020: €250 million). Normalised EBIT excludes exceptional items, which amounted to €(15) million in 2021 (2020: €(49) million). In 2021, the net zero normalisation for project costs and other included results related to the divestments of Cendris and Adeptiv (€(2) million) and to the ACM fine for Mail in the Netherlands's delivery quality of 2019 (€2 million). The increase of €59 million in normalised EBIT comprised higher results in Parcels (€21 million) and Mail in the Netherlands (€64 million), partly offset by a lower result at PostNL Other (€26 million).

The following tables present the reconciliation of the 2020 segment information relating to the income statement of the reportable segments. The 2020 figures have been restated for the impact of the change in accounting policy (refer to note 1.4). Segment information relating to the balance sheet is reported in note 3.11.

PostNL Segmentation in € million

2020 restated

Year ended at 31 December 2020	Parcels	Mail in NL	PostNL Other	Eliminations	Total
Revenue from contracts with customers	1,865	1,371	3		3,239
Intercompany sales	179	331	104	(614)	0
Other operating revenue	9	6	1		16
Total operating revenue	2,052	1,708	108	(614)	3,255
Other income	(0)	71	(4)	0	66
Depreciation/impairment PP&E	(23)	(22)	(4)		(50)
Amortisation/impairment intangibles	(14)	(19)	(11)		(43)
Depreciation/impairment right-of-use assets	(36)	(22)	(14)		(72)
Total operating income	204	143	(48)		298
Net financial income/(expense)					(16)
Results from investments in JVs/associates					0
Income taxes					(69)
Profit/(loss) from discontinued operations					4
Profit for the year					216
Normalised EBIT	209	96	(55)		250

PostNL From operating income to normalised EBIT in € million

2020 restated

Year ended at 31 December	Reported operating income	Final payment transitional plans	Accelerated write-down of Sandd assets	Book profit sale-and-leaseback transaction	Project costs and other	Normalised EBIT
Parcels	204	5				209
Mail in NL	143	11	14	(64)	(6)	96
PostNL Other	(48)	(15)		4	4	(55)
Total 2020	298	0	14	(60)	(2)	250

Section 3: Operating assets and liabilities

3.1 Working capital

3.1.1 Accounts receivable

Accounting policies

Trade receivables that do not contain a significant financing component or for which PostNL has applied the practical expedient are measured at the transaction price determined under IFRS 15. PostNL recognises an allowance for expected credit losses (ECLs). ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that PostNL expects to receive, discounted at an approximation of the original effective interest rate. For trade receivables, PostNL applies a simplified approach in calculating ECLs. Therefore, PostNL does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. PostNL has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The amount

of the ECLs is recognised in the income statement. Any reversal of the ECLs is included in the income statement on the same line as where the original expense was recorded.

The risk of uncollectability of accounts receivable is primarily estimated based on prior experience with, and the past due status of, doubtful debtors adjusted for forward-looking factors. Large accounts are assessed individually based on factors that include ability to pay, bankruptcy and payment history. In addition, debtors in certain countries are subject to a higher collectability risk, which is taken into account when assessing the overall risk of uncollectability.

PostNL Accounts receivable in € million

2020, 2021

At 31 December	2020	2021
Trade accounts receivable - total	346	360
Allowance for expected credit losses	(10)	(7)
Trade accounts receivable	336	353
VAT receivable	7	4
Accounts receivable from associates and joint ventures	1	0
Other accounts receivable	11	7
Accounts receivable	18	11
Total accounts receivable	355	364

Trade accounts receivable are non-interest bearing and are generally on terms of 3 to 30 days.

The main part of the allowance for expected credit losses related to a collective loss component established for groups of similar trade accounts receivable balances. This collective loss component is largely based on the ageing of the trade accounts receivable and is reviewed periodically. The fair value of the total (trade) accounts receivable approximated its carrying value.

The increase of trade accounts receivable-total from €346 million on 31 December 2020 to €360 million on 31 December 2021 is mainly explained by higher revenue in 2021. The trade accounts receivable past due increased from €89 million on 31 December 2020 to €125 million on 31 December 2021 (see table expected credit losses at the next page).

The top 10 trade accounts receivable accounted for 19% of the outstanding balance as at 31 December 2021 (2020: 19%). The concentration of the trade accounts receivable portfolio over the different regions can be summarised as follows:

- Netherlands €311 million (2020: €290 million),
- rest of Europe €32 million (2020: €26 million), and

- the rest of the world €10 million (2020: €20 million).

The movements in the allowance for expected credit losses of trade accounts receivable were as follows:

PostNL Statement of changes in the allowance for expected credit losses of trade accounts

receivable in € million

2020, 2021

	2020	2021
Balance at 1 January	14	10
Provided for during financial year	3	1
Receivables written off during year as uncollectable	(7)	(3)
Balance at 31 December	10	7

PostNL Expected credit losses in € million

2020, 2021

At 31 December	Months due					Total
	Up to 1 month	1-2 months	2-3 months	3-4 months	over 4 months	
Expected credit loss rate	0%	2%	4%	11%	20%	
Gross amount of trade accounts receivable	281	11	8	5	42	347
Trade accounts receivable past due	27	9	8	5	40	89
Expected credit loss 2020	0	0	0	1	9	10
Expected credit loss rate	0%	1%	2%	7%	14%	
Gross amount of trade accounts receivable	280	19	12	4	47	361
Trade accounts receivable past due	49	17	12	3	44	125
Expected credit loss 2021	0	0	0	0	6	7

Set out below is the information about the credit risk exposure on the trade accounts receivable using a provision matrix.

3.1.2 Other current liabilities

PostNL Other current liabilities in € million

2020, 2021

At 31 December	2020	2021
VAT payable	44	32
Social security contributions payable	27	24
Payments from customers received in advance	48	49
Other	26	6
Total	145	111

The VAT payable decreased by €12 million. This is mainly caused by a decrease in Dutch revenue and a lower amount of foreign supplies, both in the fourth quarter of 2021 compared to the fourth quarter of 2020.

Other current liabilities decreased by €20 million which is explained by the cash funding liabilities in 2020 related to the sale of Nexive to Mutares.

3.1.3 Contract liabilities

PostNL Contract liabilities in € million

2020, 2021

At 31 December	2020	2021
Deferred revenue from unused stamps	47	42
Deferred revenue from franking machines	8	10
Rental of mailboxes	10	9
Other amounts received in advance from customers	4	10
Total	69	70

In 2021, decreased stamp inventory at retailers mainly caused the decrease in deferred revenue from unused stamps. As of 2021, management assumes that special stamps sold by retailers are consumed equal to regular stamps. The increase in other amounts received in advance from customers mainly related to an increase in pre-billed contracted services by Prime Vision. We expect to perform almost all services related to the outstanding contract liabilities at

31 December 2021 within one year. However, note that within one year we expect outstanding contract liabilities more or less in line with the amounts currently reported.

3.1.4 Accrued current liabilities

PostNL Accrued current liabilities in € million

2020, 2021

At 31 December	2020	2021
To be paid to third parties	129	141
To be paid to personnel	52	44
Vacation days/vacation payments	92	97
Terminal dues	169	204
Interest payable	2	2
Other accrued current liabilities	1	0
Total	445	487

Main items within the expenses to be paid to third parties included payables to business partners of €24 million (2020: €19 million), claims of €6 million (2020: €9 million) and various other expenses to be paid.

Expenses to be paid to personnel included accrued wages and salaries of €24 million (2020: €26 million) and accruals for employee profit-sharing of €14 million (2020: €20 million).

The accrual for terminal dues relates to payables to foreign postal operators relating to the years 2021 and before, partly consisting of positions in SDR currency. The net payable position, including the receivable for terminal dues of €12 million (2020: €26 million) included in prepayments and accrued income, amounted to €192 million (2020: €143 million). The change reflects both the regular course of business as well as settlements of outstanding positions. The positions where there is no price multi- or bilateral agreement on price are based on our best estimate of the price for which we expect to settle.

3.2 Property, plant and equipment

Accounting policies

Property, plant and equipment is valued at historical cost, less depreciation and impairment losses. The initial costs of an assets comprises its purchase price, costs of bringing the asset into working condition, handling and installation costs and non-refundable purchase taxes.

Land is not depreciated. System software is capitalised and amortised as a part of the tangible fixed asset for which it was acquired to operate.

Other property, plant and equipment is depreciated on a straight-line basis over its expected useful life, taking into account any residual value. The asset's residual value and useful life is reviewed on an annual basis and, if necessary, changes are accounted for prospectively.

For the accounting policy concerning impairments, reference is made to note 5.4.

PostNL Property, plant and equipment in € million

2020

	Land and buildings	Plant and equipment	Other equipment	Construction in progress	Total
Depreciation percentage	0%-10%	10%-33%	10%-33%	0%	
Historical cost	694	420	66	10	1,190
Accumulated depreciation and impairments	(422)	(301)	(53)		(776)
Balance at 1 January 2020	272	119	13	10	414
Capital expenditure	3	14	3	36	56
Disposals	(41)				(41)
Internal transfers and reclassifications	1	1		(1)	
Depreciation	(18)	(26)	(5)		(49)
Transfers to assets held for sale	(6)	(2)	(1)		(8)
Total changes	(62)	(13)	(3)	34	(44)
Historical cost	392	414	46	44	896
Accumulated depreciation and impairments	(182)	(309)	(36)		(526)
Balance at 31 December 2020	210	106	10	44	370

PostNL Property, plant and equipment in € million

2021

	Land and buildings	Plant and equipment	Other equipment	Construction in progress	Total
Depreciation percentage	0%-10%	10%-33%	10%-33%	0%	
Historical cost	392	414	46	44	896
Accumulated depreciation and impairments	(182)	(309)	(36)		(526)
Balance at 1 January 2021	210	106	10	44	370
Transfers from right-of-use assets	16	3			19
Capital expenditure	16	37	7	34	93
Internal transfers and reclassifications	28	23	1	(52)	
Depreciation	(13)	(28)	(5)		(46)
Transfers to assets held for sale	(3)				(3)
Total changes	44	35	3	(19)	63
Historical cost	409	449	39	25	922
Accumulated depreciation and impairments	(155)	(308)	(26)		(489)
Balance at 31 December 2021	254	141	13	25	433

The transfers from right-of-use assets relate to the revision of one Parcels sorting centre and sorting machine lease as property, plant and equipment, as the related sale-and-leaseback transaction did not represent a true sale according to IFRS 15.

Capital expenditures 2021 are above the level of 2020. Investments were made in the new sorting and delivery centres within Parcels, the new head office and in various other equipment. The reclassifications from construction in progress mainly relate to the finalisation of the small parcels sorting centre and the new head office.

In 2020, the disposals related for €36 million to the sale-and-leaseback transaction of four mail sorting centres and the international sorting centre. The remaining disposals related to the sale of other real estate in the Netherlands. The book profit from these sales are included in other income in the consolidated income statement. For further information on the sale-and-leaseback transaction, reference is made to note 2.1.2 Other income.

In 2021, the transfers to assets held for sale of €3 million related to buildings in the Netherlands. In 2020, the transfers to assets held for sale related for €6 million to buildings in the Netherlands and for €2 million to equipment from Cendris that was classified as held for sale per 31 December 2020.

The property, plant and equipment assets include a number of Parcel sorting centres and sorting machines financed and owned by an entity especially set up for this purpose by a third party. The term of the related lease contracts and liabilities is 10 years. Up to 31 December 2021, 5 sorting centres and sorting machines (2018: 1, 2019: 3, 2021: 1) have been finalised and leased from this special entity, for which the related property, plant and equipment assets (2 locations with a total book value of €38 million at 31 December 2021) and corresponding (legal) lease loans, and right-of-use assets (3 locations) and corresponding lease liabilities have been recorded.

3.3 Intangible fixed assets

Accounting policies

Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of PostNL's share of the identifiable net assets acquired. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of joint ventures and associates is included in investments in joint ventures/associates and is not separately recognised or tested for impairment. Gains and losses on disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Separately-recognised goodwill arising on acquisitions is capitalised and subject to an annual impairment review. Goodwill is carried at cost less accumulated impairment losses.

Other intangible fixed assets

Costs related to the development and installation of software for internal use are capitalised at historical cost and amortised over the estimated useful life. Other intangible assets acquired in a business combination are recognised at fair value at the acquisition date.

An asset under construction is transferred to its respective intangible asset category at the moment it is ready for use and is amortised using the straight-line method over its estimated useful life. Other intangible assets are valued at the lower of historical cost less amortisation and impairment. The asset's residual value and useful life is reviewed on an annual basis and, if necessary, changes are accounted for prospectively.

For the accounting policy concerning impairments of goodwill and other intangible fixed assets, reference is made to note 5.4.

PostNL Intangible fixed assets in € million

2020

	Goodwill	Software	Other	Total
Amortisation percentage		10%- 35%	0%- 35%	
Historical cost	271	278	70	619
Accumulated amortisation and impairments	(47)	(198)	(10)	(255)
Balance at 1 January 2020	224	80	60	364
Additions	1	21	17	39
Disposals	(3)		(3)	(6)
Internal transfers/reclassifications		13	(13)	
Amortisation		(33)	(4)	(37)
Impairments		(2)	(4)	(6)
Transfers to assets held for sale	(14)	(1)		(15)
Total changes	(16)	(1)	(7)	(25)
Historical cost	244	222	65	532
Accumulated amortisation and impairments	(36)	(144)	(12)	(192)
Balance at 31 December 2020	208	79	53	339

PostNL Intangible fixed assets in € million

2021

	Goodwill	Software	Other	Total
Amortisation percentage		10%- 35%	0%- 35%	
Historical cost	244	222	65	532
Accumulated amortisation and impairments	(36)	(144)	(12)	(192)
Balance at 1 January 2021	208	79	53	339
Additions		40	17	56
Disposals	(1)			(1)
Internal transfers/reclassifications		18	(18)	
Amortisation		(37)	(3)	(40)
Impairments		(1)		(1)
Total changes	(1)	20	(4)	15
Historical cost	243	238	63	545
Accumulated amortisation and impairments	(36)	(139)	(14)	(190)
Balance at 31 December 2021	207	98	49	354

In 2020, the transfers to assets held for sale of €15 million related to Cendris, which was classified as held for sale at 31 December 2020.

Goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) and tested for impairment. The CGUs correspond to an operation in a particular country or region and the nature of the services provided. Compared to 2020, the CGU structure has not changed.

In 2020, the addition to goodwill of €1.4 million resulted from the preliminary purchase price allocation of the acquisition of MyParcel.com and is allocated to the CGU Spring. In 2021, finalisation of this analyses resulted in concluding goodwill of €0.6 million. In 2020, the disposal of goodwill of €3 million related to the sale of Adeptiv (CGU Mail in the Netherlands).

PostNL Goodwill per CGU in € million

2020, 2021

Year ended at 31 December	2020	2021
Parcels	32	32
Mail in the Netherlands	174	174
Spring	1	1
Total	208	207

Based on the 2021 financial performance, a detailed review has been performed of the recoverable value of each CGU. The recoverable value is the higher of the value in use and fair value less costs of disposal. Fair value less costs of disposal represents the best estimate of the amount PostNL would receive if it sold the CGU. The recoverable value is determined based on the fair value less costs of disposal. The fair value less costs of disposal has been estimated on the basis of the present value of future cash flows, taking into account costs of disposal.

For both mature markets and non-mature markets, the estimated future net cash flows are based on a five-year (2020: five-year) forecast and business plan, which forecast period has been assessed as adequate to reach a sustainable basis for the calculation of the continuing value. The cash flow projections have been approved by management.

PostNL has determined the budgeted gross margin based on past performance and its expectations for market development. The weighted average growth rates used are consistent with the forecasts included in industry reports for the related operation and market and did not change materially compared to previous year. The pre-tax discount rate used in the CGU valuations varies around 10.0% (2020: around 10.0%).

Key assumptions used to determine the recoverable values for each individual CGU are the following:

- maturity of the underlying market, market share and volume development in order to determine the revenue mix and (long-term) growth rate,
- level of operating income largely impacted by revenue and cost development, taking into account the nature of the underlying costs and potential economies of scale,
- level of capital expenditure in network-related assets, and
- discount rate to be applied following the nature of the underlying cash flows and foreign currency and inflation-related risks.

Management has carried out an impairment test for each individual CGU and concluded that the recoverable amount of the individual CGUs is significantly higher than the carrying amount.

Software and other intangibles

The closing balance of software and other intangibles is build up as follows:

PostNL Software and other intangibles in € million

2020, 2021

Year ended at 31 December	2020	2021
Internally-generated software	75	95
Purchased software	4	3
Software under construction	18	18
Customer lists	35	31
Total	132	147

The additions to software mainly concerned IT investments related to replacement and improvement of sorting and delivery processes within Mail in the Netherlands and Parcels, and software licenses and costs of internally-generated software for various IT projects including investments in our online landscape, logistic service platform and back office functionality. The reclassification from other intangibles was due to finalised IT projects.

The estimated amortisation expenses for software and other intangible assets are:

- 2022: €40 million,
- 2023: €32 million,
- 2024: €26 million, and
- thereafter: €49 million.

Software and other intangible assets include an amount of €1 million (2020: €2 million) of capitalised research and development costs.

3.4 Leases

Accounting policies

PostNL leases sorting centres, sorting machines, distribution centres, offices, warehouses, trucks, vans, cars, transport equipment and other equipment. Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. At the commencement date of the lease, the lease liabilities are measured at the present value of lease payments to be made over the lease term. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the incremental borrowing rate is used, being the rate that would have to be paid to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The lease payments include the exercise price of a purchase option reasonably certain to be exercised by PostNL and payments of penalties for terminating the lease, if the lease term reflects PostNL exercising the option to terminate. Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

PostNL elected to apply the practical expedient not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component. PostNL elected also the practical expedient not to apply the requirements for short-term leases (with a lease term of 12 months or less and which do not contain a purchase option) and leases for which the underlying asset is of low value (<€5 thousand). The lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

PostNL Right-of-use assets in € million

2020

	Land and buildings	Transport	Other	Total
Depreciation percentage	0%-10%	10%-33%	10%-33%	
Historical cost	212	101	31	344
Accumulated depreciation and impairments	(46)	(31)	(8)	(85)
Balance at 1 January 2020	166	70	23	259
New leases	43	34	1	79
Disposal of subsidiaries	(2)			(3)
Disposals	(15)			(15)
Depreciation	(35)	(29)	(6)	(70)
Impairments	(1)			(1)
Transfers to assets held for sale	(5)			(5)
Total changes	(15)	4	(5)	(16)
Historical cost	215	122	31	368
Accumulated depreciation and impairments	(64)	(48)	(13)	(125)
Balance at 31 December 2020	151	74	18	243

PostNL Right-of-use assets in € million

2021

	Land and buildings	Transport	Other	Total
Depreciation percentage	0%-10%	10%-33%	10%-33%	
Historical cost	215	122	31	368
Accumulated depreciation and impairments	(64)	(48)	(13)	(125)
Balance at 1 January 2021	151	74	18	243
Transfers to property, plant and equipment	(16)		(3)	(19)
New leases	89	27	1	117
Lease modifications/reassessments	13	(1)		12
Disposals	(3)			(3)
Depreciation	(32)	(27)	(3)	(62)
Total changes	52	(1)	(6)	45
Historical cost	274	137	23	435
Accumulated depreciation and impairments	(71)	(64)	(11)	(146)
Balance at 31 December 2021	203	73	13	289

The transfers to property, plant and equipment assets relate to the revision of one Parcels sorting centre and sorting machine lease as property, plant and equipment, as the related sale-and-leaseback transaction did not represent a true sale according to IFRS 15.

The new leases of €117 million in 2021 mainly relate to a new sorting and delivery centre in Belgium within Parcels, the new head office and the replacement and expansion of buildings, vans and trucks. In 2020, the new leases included €21 million of the sale-and-leaseback transaction of four mail sorting centres and the international sorting centre (for further information refer to note 2.1.2 Other income). In 2021, the lease modifications/reassessments of €12 million mainly reflect changes to the lease payments and lease terms.

In 2021, the disposals of €3 million related to disposed and subleased contracts from buildings from Sandd (2020: €8 million). In 2020, the disposals further related to leasehold assets included in the sale-and-leaseback transaction (€7 million). In 2020, the depreciation includes €9 million of accelerated depreciation of assets from Sandd and the transfers to assets held for sale of €5 million related to rented buildings from Cendris that was classified as held for sale at 31 December 2020.

The right-of-use assets include a number of Parcel sorting centres and sorting machines financed and owned by an entity especially set up for this purpose by a third party. The term of the related lease contracts and liabilities is 10 years. Up to 31 December 2021, 5 sorting centres and sorting machines (2018: 1, 2019: 3, 2021: 1) have been finalised and leased from this special entity, for which the related property, plant and equipment assets (2 locations with a total book value of €38 million at 31 December 2021) and corresponding (legal) lease loans, and right-of-use assets (3 locations) and corresponding lease liabilities have been recorded.

PostNL Lease liabilities in € million

2020, 2021

At 31 December	2020	2021
Long-term lease liabilities	231	269
Short-term lease liabilities	63	65
Total	294	333

3.5 Provisions for pension liabilities

Accounting policies

The net defined benefit liability/asset for all pension and other post-employment plans that qualify as defined benefit plans is determined by calculating the present value of the defined benefit obligation and deducting the fair value of the plan assets. The resulting deficit or surplus is adjusted for any effect of limiting a net defined benefit asset to the asset ceiling and for any effect of minimum funding requirements.

PostNL uses actuarial calculations (projected unit credit method) to measure the obligations and the costs. Assumptions are made about financial variables (such as the discount rate and the rate of benefit increases) and demographic variables (such as employee turnover and mortality). The discount rate is determined by reference to market rates using high-quality corporate bonds. The assumed return on plan assets equals the discount rate applied in the calculation of the pension obligations at the beginning of the year.

Service costs are recognised as operating expenses in the income statement. Gains or losses on the amendment or curtailment of a defined benefit plan (past service cost) and gains or

In 2021, the lease liabilities increased by €39 million, mainly caused by the new sorting and delivery centres within Parcels and the new head office. The total cash outflow from leases amounted to €82 million (2020: €93 million) and related for €74 million to repayments of lease liabilities (2020: €79 million), partly offset by €5 million of incentives received, and for €13 million to rent and lease expenses (2020: €14 million). Refer to note 4.1 for further information on the lease liabilities.

In 2021, rent and lease expenses of €13 million (2020: €14 million) relate for €11 million (2020: €12 million) to short-term leases and for €2 million (2020: €2 million) to leases for which the underlying asset is of low value. The interest expenses on lease liabilities amounted to €7 million (2020: €4 million).

losses on a settlement are recognised as operating expenses in the income statement on the date of the amendment, curtailment or settlement.

The net interest expense/income on the net defined benefit liability/asset, asset ceiling and/or minimum funding requirements, is recognised as 'Interest and similar expenses/income' in the income statement (below operating income).

Deviations between the expected and actual development of the pension obligation and plan assets, resulting in actuarial gains and losses, are recognised immediately within Other Comprehensive Income (net of tax). The impact of the asset ceiling and/or minimum funding requirements is also recognised within Other Comprehensive Income (net of tax).

Pension costs for defined contribution plans are expensed in the income statement when incurred or due.

PostNL's main Dutch defined benefit average pay pension plan (main plan) covers the employees subject to PostNL's collective labour agreement and staff with a personal labour agreement in the Netherlands. The main plan is externally funded in 'Stichting Pensioenfonds PostNL' (main fund), an independent legal entity which is not owned or controlled by any other legal entity and which falls under the regulatory supervision of De Nederlandsche Bank.

Main developments during 2021

The coverage ratio of the main fund increased substantially in 2021. By the end of 2021, the month-end coverage ratio amounted 126.2% (2020: 111.1%). The increased coverage ratio is mainly explained by a positive effect from an increase of the interest rate and a positive return on plan assets. The 12-months average coverage ratio of the main fund amounted 121.4% per 31 December 2021 (2020: 104.4%).

In 2021 PostNL paid the first out of five annual instalments of €16 million related to the unconditional funding obligation of €80 million as agreed upon with the pension fund in 2020. At 31 December 2021, the outstanding funding obligation amounted to €64 million, which will be paid in 4 equal instalments during the years 2022-2025. The deferred payment is accounted for as a minimum funding requirement.

Further details of the main plan

The main plan is a defined benefit average pay scheme, with a basis accrual rate of 1.875% of the pensionable base and retirement age set at 68 years. The pensionable base is derived as the pensionable salary, with a statutory maximum of €112,189 (level 2021), minus a state pension offset.

Pension (cash) contributions are bounded by a minimum level of 21.7% and a maximum level of 29.2% of the pensionable salary base. The calculations are based on the main fund's expected return on plan assets. Based on the total maximum premium amount, the intended pension accrual can be reduced in any year. Given the applicable financing arrangements and current low interest rates, it is expected that the accrual rate will be lower than the basis level of 1.875% for the coming years. The accrual rate for 2021 and 2022 has been set at 1.783% and 1.826% of the pensionable base.

When the 12 months average coverage ratio will be below the minimum required funding level of 104.0% a 5-year recovery period will start, in which top-up payments of at most 1.25% of the fund's plan obligations per year might apply. In determining the top-up payment obligation, the resilience of the pension fund will be taken into account. The requirement to supplement a

deficit will be determined on the basis of the 'beleidsdekkingsgraad' (i.e. the 12-months average coverage ratio). Based on our projections we currently do not anticipate any top-up payments.

The returns on plan assets are linked to the strategic investment policy of the main fund. The fund uses interest rate derivatives to reduce the net interest exposure on its assets and liabilities. The plan assets may from time to time include investments in PostNL's own financial instruments through indirect holdings by mutual funds. Around 71% of the fund's total plan assets have a quoted market price in an active market. The unquoted part relates to investments in investment funds which invest in non-listed assets (for example real estate investments) and non-listed derivatives.

PostNL Asset mix/return of main pension plan in %

2020, 2021

	Actual mix 2020	Actual mix 2021
At 31 December		
Equities	33%	34%
Fixed interest and inflation linked bonds	58%	55%
Real estate and alternative investment	9%	11%
Total	100%	100%
Return	6.7%	7.6%

Statement of changes in provision for defined benefit plans

The following table presents an overview of the movement of the provision for post-employment benefit plans during 2021.

PostNL Statement of changes in provision for defined benefit plans in € million

2021

	Balance at 1 January 2021	Post-employment benefit income/ (expenses)	Employer contributions	Instalment unconditional funding obligation	Actuarial gains/(losses)	Pension asset ceiling/minimum funding requirement	Balance at 31 December 2021
Dutch main pension plan	(80)	(150)	79	16	807	(735)	(64)
Dutch transitional plans	(2)	1	1		0		0
Other plans	(3)	(0)	0		1		(3)
Provision for post-employment benefit plans	(86)	(150)	80	16	807	(735)	(67)

The following table gives a break-down of total pension costs, pension cash contributions, actuarial gains and losses, and the impact of the asset ceiling and/or minimum funding requirement.

PostNL Details on cost, cash, gains and losses, and adjustments in € million

2020, 2021

	2020	2021
Regular defined benefit costs	(135)	(150)
Defined contribution costs	(12)	(12)
Total employer pension costs	(147)	(162)
Of which included within salaries, pensions and social security contributions	refer to note 2.1.3 (145)	(161)
Of which included within interest and similar expenses	refer to note 2.2 (2)	(1)
Defined benefit cash contributions	99	80
Defined benefit instalment unconditional funding obligation		16
Defined benefit final payment transitional plans	200	
Defined contribution cash contributions	12	12
Total employer pension cash contributions	311	108
Actuarial gain/(loss) due to:		
Change in discount rate		
from 0.3% to 1.0% (2020: from 0.9% to 0.3%)	(1,066)	1,495
Change in rate of benefit increases		
from 0.8% to 1.5% (2020: from 0.9% to 0.8%)	241	(1,590)
Change in future benefit accrual rate	18	(3)
Changes in demographic assumptions	164	46
Experience adjustments	55	96
Actuarial gain/(loss) on benefit obligations	(588)	45
Actuarial gain/(loss) on plan assets	560	763
Total actuarial gain/(loss)	(28)	807
<i>Net charge within Other Comprehensive Income</i>	<i>(21)</i>	<i>606</i>
Adjustment for pension asset ceiling	142	(752)
Adjustment for minimum funding requirement	(80)	16
Total gross adjustment	61	(735)
<i>Net charge within Other Comprehensive Income</i>	<i>46</i>	<i>(551)</i>

The actuarial loss of €3 million (2020: gain of €18 million) resulting from a change in the rate of benefit accrual that follows from the maximum level of pension (cash) contributions of 29.2% for the year 2022. Given the current low interest rates and the applicable financing agreements,

it is expected that the benefit accrual rate will be lower than the basis level of 1.875% for the coming years.

The negative adjustment of €735 million is the consequence of the increase in the main fund's funded status (on the basis of IAS 19 accounting) during 2021, triggering an asset ceiling adjustment of €752 million, and the decrease of the minimum funding requirement by €16 million following the first instalment paid.

For 2022, we expect total cash contributions of around €111 million including the second instalment of one fifth of the unconditional funding obligation of €80 million (2021: €108 million including the first instalment of one fifth of the unconditional funding obligation of €80 million).

For 2022, we expect total employer pension costs within operating income of around €172 million (2021: €161 million). The increase is mainly explained by an increase of staff. As the net liability of the main pension plan is limited to the outstanding funding obligation, we expect an actuarial gain of around €79 million recorded in other comprehensive income.

Detailed reconciliation of the opening and closing balances

The following table reconciles the opening and closing balances of the present value of the defined benefit obligation and the fair value of plan assets, the funded status and the netted pension provisions, and the employer pension expenses of PostNL's defined benefit post-employment plans.

PostNL Detailed overview of changes in consolidated defined benefit plans in € million

2020, 2021

	2020	2021
Change in benefit obligation		
Benefit obligation at beginning of year	(9,655)	(10,235)
Service costs	(143)	(160)
Interest costs	(87)	(31)
Actuarial (losses)/gains	(588)	45
Benefits paid	237	248
Benefit obligation at end of year	(10,235)	(10,133)
Of which funded benefit obligations	(10,233)	(10,131)
Of which unfunded benefit obligations	(2)	(2)
Change in plan assets		
Fair value of plan assets at beginning of year	9,512	10,230
Assumed return on plan assets	86	30
Employee contributions	19	20
Employer contributions	299	80
Instalment unconditional funding obligation		16
Other costs	(9)	(10)
Actuarial (losses)/gains	560	763
Benefits paid	(237)	(248)
Fair value of plan assets at end of year	10,230	10,882
Change in funded status		
Funded status at the beginning of year	(143)	(5)
Operating expenses	(133)	(149)
Interest (expenses)/income	(1)	(0)
Employer contributions	299	96
Actuarial (losses)/gains	(28)	807
Funded status at end of year	(5)	749
Impact of pension asset ceiling		(752)
Impact of minimum funding requirement	(80)	(64)
Netted pension liabilities	(86)	(67)

	2020	2021
Components of employer pension expenses		
Service costs (net of employee contributions)	(124)	(140)
Interest (expenses)/income	(2)	(1)
Other costs	(9)	(10)
Total post-employment benefit income/(expenses)	(135)	(150)
Weighted average assumptions as at 31 December		
Discount rate	0.3%	1.0%
Rate of benefit increases	0.8%	1.5%
Life expectancy 65 year old men/women (in years)	21.0/23.0	21.1/23.4

Key assumptions

The discount rate is based on the long-term yield on high quality (AA-rated) corporate bonds, taking into account the duration of the projected pension liabilities of around 18 years. The corporate bond yield information is sourced from iBoxx, taking into account a minimum outstanding amount and other defined selection criteria. By applying curve-fitting procedures, a yield curve is generated. Using the full yield curve, the discounted value of the expected future benefit payments is matched with the comparable present value when using a single discount rate.

The conditional benefit increases are based on the (derived) Consumer Price Index. The assumed rate of benefit increases is based on advice, published statistics, the pension plan's ambition level and the actual financial status of the pension fund.

Assumptions regarding the longevity outlook are based on advice, published statistics and experience per country. The applied prospective longevity rates are derived from the Dutch mortality table 'AG prognosetafel 2020' taking into account experience rates based on postal areas, as applied by the main fund.

Sensitivity analysis of the defined benefit obligation

The table below shows the sensitivity of the defined benefit obligation at year-end 2021 to deviations in key assumptions, with all other assumptions held unchanged. The percentages presented exclude any impact from applying a liability ceiling, nor is the impact on plan assets, asset ceiling and/or minimum funding requirement included. The sensitivity to life expectancy of +1/-1 year is measured by assuming all plan participants 1 year younger/older.

PostNL Sensitivity defined benefit obligation as indicated

2021

	%-change in assumptions	impact on defined benefit obligation
Benefit obligation at end of year (in € millions)		10,133
Discount rate	+ 0.5%	(8.6%)
Rate of benefit increases	+ 0.5%	10.3%
Life expectancy men/women	+ 1 yr	5.0%
Benefit obligation at end of year (in € millions)		10,133
Discount rate	- 0.5%	9.9%
Rate of benefit increases	- 0.5%	(9.1%)
Life expectancy men/women	- 1 yr	(4.9%)

3.6 Other provisions

Accounting policies

Provisions are recognised when there is a present obligation as a result of a past event, making it probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation on the balance sheet date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The gross-up of the provision following the discounting of the provision is recorded in the income statement as interest expense.

PostNL recognises termination benefits when the company has committed to terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or provides termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to their present value.

Provisions for onerous contracts are recorded when the unavoidable costs of meeting the obligation under the contract exceed the economic benefits expected to arise from that contract, taking into account impairment of fixed assets first.

The following table presents the changes in the short-term and long-term provisions.

PostNL Other long-term and short-term provisions in € million

2021

	Other employee benefit obligations	Restructuring	Claims and indemnities	Other	Total
Non-current other provisions	13		14	2	30
Current other provisions	8	10	1	3	21
Balance at 1 January 2021	21	10	15	5	51
Additions	7	2	6		16
Withdrawals	(3)	(3)	(3)		(9)
Releases		(4)	(1)	(3)	(8)
Total changes	4	(5)	3	(3)	(1)
Non-current other provisions	18		9	1	29
Current other provisions	7	5	8		21
Balance at 31 December 2021	25	5	18	2	50

The estimated utilisation of the other provisions in 2022 is €21 million, in 2023 €17 million, in 2024 €2 million and in 2025 and thereafter €10 million.

Other employee benefit obligations

As at 31 December 2021, the other employee benefit obligations mainly related to a provision for jubilee benefits of €12 million (2020: €13 million), expected costs related to continued salary payments during illness of €6 million (2020: €7 million) and expected disability costs for the WGA benefits, following the decision to become self-insured (in Dutch: "eigenrisicodrager") as from 1 January 2021, of €6 million (2020: not applicable).

Restructuring

The additions in restructuring provision of €2 million mainly related to the restructuring programmes within operations Mail Netherlands. The withdrawals of €3 million concerned severance payments under the cost saving programmes. The release of €4 million mainly related to the restructuring programme within operations Mail Netherlands, resulting from reduced redundancies and periodical reassessments of the expected cash costs.

Claims and indemnities

The provision for claims and indemnities includes provisions for claims from third parties with respect to PostNL's ordinary business activities, including the ACM fine of €2 million related to

Mail in the Netherlands' delivery quality of 2019, as well as indemnities and disputes related to business disposals. Within Sandd, the disputes mainly related to discussions on the remuneration (including pensions) of employed and contracted people. More detailed information relating to these provisions is not provided, as such information could prejudice the company's position with respect to these claims and indemnities.

Other

The release in other provisions of €3 million mainly related to anticipated customs clearance costs.

3.7 Investments in joint ventures and associates

Accounting policies

An associate is an entity over which PostNL has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint arrangement is an arrangement of which two or more parties have joint control. There are two types of joint arrangements: joint operations and joint ventures. PostNL only participates in entities that can be considered as a joint venture.

PostNL's share in the results of joint ventures and associates is included in the consolidated income statement using the equity method. The carrying value of PostNL's share in joint ventures and associates includes goodwill on acquisition and includes changes to reflect PostNL's share in net earnings of the respective companies, reduced by dividends received. When PostNL's share of accumulated losses in a joint venture or associate exceeds its interest in the company, the book value of the investment is reduced to zero and PostNL does not recognise further losses unless PostNL is bound by guarantees or other undertakings in relation to the joint venture or associate.

For the accounting policy concerning impairments, reference is made to note 5.4.

The following table presents the changes in the carrying value of the investments in joint ventures and associates.

PostNL Investments in joint ventures and associates in € million

2020, 2021

	2020	2021
Balance at 1 January	3	3
Share in net result	0	(0)
Additions	1	3
Transfer MyParcel.com to investments in group companies	(1)	1
Balance at 31 December	3	6

As at 31 December 2021, the investments in associates mainly related to minority shareholdings in Roamler Care, CB Healthcare and VersTrade Nederland within Parcels. There were no material joint ventures.

In 2021, the additions of €3 million related to the acquisition of 25% of the shares of VersTrade Nederland and an additional capital contribution in CB Healthcare. VersTrade Nederland is an online food marketplace, which connects food professionals, such as restaurateurs, caterers, specialty stores and online retailers, to food and beverage suppliers.

In 2020, the addition of €1 million related to the acquisition of 40% of the shares of CB Healthcare and an additional capital contribution in Roamler Care. CB Healthcare is a specialist in warehousing, fulfilment and other services in the media and healthcare sector.

In 2020, an additional 20% equity stake in MyParcel.com was acquired, totalling PostNL's stake at 60% of the shares. PostNL obtained control and the entity has been included in the consolidated figures of PostNL as of 1 July 2020.

Management has assessed none of the investments in joint ventures and associates to be material to the company. On a 100% basis, the profit/(loss) of all immaterial investments in joint ventures amounted to €0 million (2020: €0 million). The profit/(loss) of all immaterial investments in associates amounted to €1 million (2020: €0 million).

3.8 Deferred income tax assets and liabilities

Accounting policies

Deferred tax assets and liabilities arising from temporary differences between the carrying amounts of assets and liabilities and the tax base of assets and liabilities are calculated using the substantively enacted tax rates expected to apply when they are realised or settled. Deferred tax assets are recognised if it is probable that they will be realised. At the end of each reporting period the amounts of deferred tax assets and the amounts of unrecognised deferred tax assets are reassessed. Deferred tax assets and liabilities within the same tax group, where a legally enforceable right to offset exists, are presented net in the balance sheet.

The following table shows the movements in deferred taxes in 2021:

PostNL Statement of changes deferred taxes in € million

2021

	Net balance 1 January 2021	Changes via income statement	Changes via OCI	Other changes	Net balance 31 December 2021	Assets	Liabilities
Provisions	3	19	(18)		4	4	0
Intangible assets	(28)	(7)			(35)	4	40
Property, plant and equipment	(46)	(0)		(2)	(48)	3	51
Leases	8	(1)		2	9	74	65
Losses carried forward	9	1			10	10	0
Other	41	(3)		(4)	34	34	0
Deferred tax assets/liabilities	(13)	10	(18)	(4)	(26)	131	156
Offsetting						(120)	(120)
Net deferred taxes	(13)	10	(18)	(4)	(26)	11	37

Of the deferred tax assets at 31 December 2021, before offsetting, €53 million (2020: €48 million) is to be recovered within 12 months and €77 million (2020: €72 million) after 12 months. Of the deferred tax liabilities at 31 December 2021, before offsetting, an amount of €37 million (2020: €30 million) is to be settled within 12 months and an amount of €119 million (2020: €103 million) after 12 months.

The changes via other comprehensive income of €(18) million fully relate to taxes on OCI from pensions.

The other changes of €(4) million (2020: €15 million) represent an adjustment of the Dutch deferred tax asset position in connection with the anticipated liquidation of the former Nexive entities, mainly due to the sales transaction with Poste Italiane and the tax rate change in the Netherlands.

The total accumulated losses available for carry forward at 31 December 2021 amounted to €97 million (2020: €106 million). With these losses carried forward, future tax benefits of €25 million could be recognised (2020: €27 million). Tax deductible losses give rise to deferred tax assets at the statutory tax rate in the relevant country. Deferred tax assets are recognised if it is

probable that they will be realised. The probability of the realisation is impacted by uncertainties regarding the realisation of such benefits, for example as a result of the expiration of tax losses carried forward and projected future taxable income.

As a result PostNL has not recognised €15 million (2020: €18 million) of the potential future tax benefits and has recorded deferred tax assets of €10 million at 31 December 2021 (2020: €9 million).

The expiration of total accumulated losses is as follows:

- 2022: €3 million,
- 2023: €1 million,
- 2024: €1 million,
- 2025: €1 million
- 2026 and thereafter: €19 million, and
- Indefinite: €72 million.

The following table shows the movements in deferred taxes in 2020:

PostNL Statement of changes deferred taxes in € million

2020

	Net balance 1 January 2020	Changes via income statement	Changes via OCI	Acquisition of subsidiaries	Other changes	Net balance 31 December 2020	Assets	Liabilities
Provisions	32	(21)	(8)			3	3	0
Intangible assets	(27)	(2)		1		(28)	6	34
Property, plant and equipment	(22)	(24)				(46)	4	50
Leases	(1)	9				8	56	48
Losses carried forward	6	3				9	9	0
Other	77	(51)			15	41	41	0
Deferred tax assets/liabilities	65	(86)	(8)	1	15	(13)	120	133
Offsetting							(110)	(110)
Net deferred taxes	65	(86)	(8)	1	15	(13)	10	23

3.9 Assets classified as held for sale**Accounting policies**

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of the carrying amount and fair value less costs to sell. Assets held for sale are no longer amortised or depreciated from the date they are classified as such. Accounting for assets classified as held for sale requires the use of assumptions and estimates. In line with IFRS 5, management assessed compliance with these statements and the assumptions used in the fair value calculations as well as the estimated costs to sell.

For the accounting policy concerning impairments, reference is made to note 5.4.

Discontinued operations

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations,
- is part of a single co-ordinated plan to dispose of a separate major line of business or

geographical area of operations, or

- is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the income statement.

As at 31 December 2021, assets classified as held for sale amounted to €11 million (2020: €55 million) and related to buildings held for sale in the Netherlands (2020: €14 million related to buildings, €41 million to Cendris and €0 million to the minority interest of 20% in Nexive). In 2020, the liabilities related to assets classified as held for sale of €25 million related to Cendris.

Sale of Nexive

On 1 July 2020, PostNL completed the sale of 80% of the activities of Nexive to Mutares. On 29 January 2021, PostNL and Mutares closed the sale of Nexive to Poste Italiane, whereby PostNL divested its retained minority interest of 20% in the entity acquiring the Nexive business. PostNL also terminated the joint venture agreement with Mutares, which resulted in the release of the remaining part of the related committed cash contributions. The transaction resulted in a net result of €24 million (including final settlement) and cash proceeds of €27 million. The net result is part of the Profit/(loss) from discontinued operations in the income statement and the

cash proceeds are part of the Cash transfers relating to discontinued operations in the cash flow statement.

The following table presents the financial performance and cash flow information for the discontinued operations in the years 2020 and 2021. In 2020, the figures include the business results of Nexive until 1 July 2020.

PostNL discontinued operations Financial performance and cash flow in € million

2020, 2021

Year ended at 31 December	2020	2021
Revenues	91	
Expenses	(109)	(3)
Operating income	(18)	(3)
Income taxes	0	8
Profit/(loss) after taxes	(18)	4
Adjustments to fair value less costs to sell	22	
Net result related to the sales transaction with Poste Italiane		24
Profit/(loss) from discontinued operations	4	29
Net cash (used in)/from operating activities	(8)	
Net cash (used in)/from investing activities	1	
Net cash (used in)/from financing activities	(4)	
Changes in cash and cash equivalents	(11)	

Income taxes of €8 million in 2021 related for €6 million to tax losses connected to the liquidation of our former German entities recorded as current tax receivables and for €2 million to the update of the deferred tax position connected to the anticipated liquidation losses of our Italian Nexive entities. The net result related to the sales transaction with Poste Italiane of €24 million includes a negative tax effect of €6 million.

As a specific contingent tax liability, at the end of December 2021 a tax dispute exists relating to the years 2012, 2013, 2014 and 2015 which can be estimated, using a probability-weighted assessment, at €15 million. Although we believe that this risk is in the possible range (20%-30%), supported by external advice, the outcome of the matter will depend upon the result of any

negotiations with the relevant tax authorities and the outcome of related litigation. The outcome hereof will also determine whether additional tax notices for the years 2016 onwards may follow.

Sale of Cendris

On 23 February 2021, PostNL completed the sale of Cendris, a specialist in customer contact services in the Netherlands and part of the segment Mail in the Netherlands, to Yource, market leader in customer contact within the Benelux region. The transaction resulted in a book profit of €16 million recorded within other income and net cash proceeds of €44 million.

Property, plant and equipment

Property, plant and equipment included in assets held for sale relate to buildings in the Netherlands. The book profit from the sale of buildings is included in other income in the consolidated income statement. The following table presents the movements of the balance sheet positions during 2021 and 2020.

PostNL Property, plant and equipment in € million

2020, 2021

	2020	2021
Balance at 1 January	10	14
Disposals	(2)	(5)
Transfers from property, plant and equipment	6	3
Balance at 31 December	14	11

3.10 Commitments and contingencies

Accounting policies

Commitments are probable obligations that arises from past events whose existence will only be confirmed by the occurrence (or non-occurrence) of one or more probable future events.

Contingencies are possible obligations (contingent liabilities) or possible assets (contingent assets) that arise from past events whose existence will only be confirmed by the occurrence (or non-occurrence) of one or more uncertain future events, not wholly within the control of the entity.

PostNL Off balance sheet commitments in € million

2020, 2021

At 31 December	2020	2021
Short-term leases and leases of low-value assets	3	6
Leases, not commenced	84	12
Capital expenditure	39	49
Purchase commitments	140	155
Other commitments		11

As at 31 December 2021, €153 million of the commitments indicated above are of a short-term nature (2020: €118 million).

Short-term leases and leases of low-value assets

In 2021, short-term leases mainly consists of leases of depots in Mail in the Netherlands. Leases of low-value assets are mainly related to the lease of scooters.

Leases, not commenced

As at 31 December 2021, commitments in connection with leases not commenced amounted to €12 million (2020: €84 million). These commitments mainly relate to vans and cars. In 2020 the leases not commenced primarily relate to the new head office (€60 million).

Capital expenditure

As at 31 December 2021, commitments in connection with capital expenditure amounted to €49 million (2020: €39 million) and are related to property, plant and equipment. These commitments primarily relate to the new sorting centres of Parcels.

Purchase commitments

As at 31 December 2021, PostNL had unconditional purchase commitments of €155 million (2020: €140 million), primarily related to various service and maintenance contracts for information technology, security, salary registration and cleaning.

Other commitments

As at 31 December 2021, other commitments related to parking lots for the new head office.

Contingent tax assets and liabilities

Multinational groups of the size of PostNL are exposed to varying degrees of uncertainty related to their tax planning, their (changes in) transfer pricing models, regulatory reviews and tax audits, fuelled by tax regulations and relevant practices in the countries where PostNL operates being subject to change. PostNL accounts for its (income) taxes on the basis of its own internal analyses, if needed, supported by external advice. PostNL continually monitors its global tax position, and whenever uncertainties arise, assesses the potential consequences and either records the receivable, discloses a contingent asset, accrues the liability or discloses a contingent liability in its financial statements, depending on the strength of the company's position and the resulting chance of income or risk of loss.

Guarantees

As at 31 December 2021, PostNL, on behalf of its subsidiaries, had various bank and insurance guarantees outstanding. However, none resulted in an off-balance sheet commitment for the Group as the relating obligations to external parties have already been recognised by these subsidiaries following their ordinary course of business.

Contingent legal liabilities

The company is involved in several legal proceedings relating to the normal conduct of its business, such as claims for loss of goods, delays in delivery, trademark infringements, contracting and employment issues, and general liability. The majority of these claims are for amounts below €1 million and are insured and/or provided for. PostNL does not expect any liability arising from any of these legal proceedings to have a material impact.

As a specific contingent legal liability, a regional Belgian labour inspectorate in 2021 filed a case against PostNL Belgium regarding alleged breaches of social and labour law. PostNL has been subpoenaed for alleged false self-employment, illegal postings of employees and as an alleged accomplice for not paying the connected social contributions.

The company is also involved in other regulatory proceedings. While it is not feasible to predict or determine the ultimate outcome of these proceedings, the company is of the opinion that they may have an impact on the company's financial position, result of operations and cash flows going forward. The company has made provisions for probable liabilities where deemed necessary and to the extent a reliable estimate of the future cash outflows can be made.

Separation agreement PostNL and TNT Express

Following the demerger of Express, PostNL and TNT Express entered into a separation agreement, which remained valid despite the sale of the shares in TNT Express under the public offer by FedEx in May 2016. The separation agreement creates certain rights and obligations for both PostNL and TNT Express after the demerger. Relevant aspects relate to pensions, litigation, such as claims and litigation handling, non-allocated and non-anticipated claims and release of provisions. As a consequence of actions taken by TNT Express and the TNT Express pension fund in 2021, the pension-related guarantees provided for by PostNL have become void.

As at 31 December 2021, no events had occurred that triggered disclosure of a significant contingent asset or liability following the aforementioned agreement with TNT Express.

3.11 Segment information

Accounting policies

PostNL reports two operating segments: Parcels and Mail in the Netherlands and one other segment: PostNL Other. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. These chief operating decision-makers, who are responsible for allocating resources and assessing the performance of the operating segments, have been identified as the Board of Management of PostNL that makes strategic decisions. Transfer prices between operating segments are on an arm's length basis.

Balance sheet information

A reconciliation of the segment information relating to the balance sheet of the reportable segments is presented below. Segment information relating to the income statement is reported in note 2.5.

PostNL Segmentation - balance sheet and capital expenditures in € million

2021

	Parcels	Mail in NL	PostNL Other	Total
At 31 December 2021				
Intangible assets	49	225	80	354
Property, plant and equipment	324	99	10	433
Right-of-use assets	183	42	64	289
Other non-current assets	35	2	28	65
Trade accounts receivable	190	161	1	353
Other current assets	59	79	841	979
Assets classified as held for sale	0	9	2	11
Total assets	840	617	1,027	2,484
Non-current liabilities	187	132	809	1,129
Trade accounts payable	72	67	30	168
Other current liabilities	260	559	(61)	758
Total liabilities	519	758	778	2,055
Cash out for capital expenditures	54	36	50	140

A reconciliation of the segment information relating to the balance sheet of the reportable segments as at 31 December 2020 is presented in the following table. The 2020 figures have been restated for the impact of the change in accounting policy (refer to note 1.4).

PostNL Segmentation - balance sheet and capital expenditures in € million

2020 restated

	Parcels	Mail in NL	PostNL Other	Total
At 31 December 2020				
Intangible assets	56	240	43	339
Property, plant and equipment	273	88	10	370
Right-of-use assets	177	51	15	243
Other non-current assets	27	2	25	54
Trade accounts receivable	190	144	2	336
Other current assets	69	89	645	803
Assets classified as held for sale	0	53	2	55
Total assets	793	667	741	2,201
Non-current liabilities	155	155	755	1,065
Trade accounts payable	67	48	27	141
Other current liabilities	256	500	1	757
Liabilities related to assets classified as held for sale	0	25	0	25
Total liabilities	478	727	783	1,988
Cash out for capital expenditures	26	31	21	78

PostNL Geographical segmentation - assets in € million

2020 restated, 2021

At 31 December	2020			2021		
	The Netherlands	Other countries	Total	The Netherlands	Other countries	Total
Intangible assets	338	1	339	353	1	354
Property, plant and equipment	366	4	370	426	7	433
Right-of-use assets	221	22	243	254	35	289
Financial fixed assets	49	5	54	58	7	65
Total non-current assets	974	32	1,007	1,091	50	1,141

The segment information from a geographical perspective is derived as follows: the basis of allocation of assets and investments by geographical area is the location of the assets.

Section 4: Capital structure and financing costs

Accounting policies

PostNL distinguishes the following categories of financial assets and liabilities:

- financial assets and liabilities at fair value through profit or loss,
- financial assets and liabilities measured at amortised costs,
- financial assets at fair value through other comprehensive income

Management determines the classification of PostNL's financial assets and liabilities at initial recognition.

Derivative financial instruments and hedge accounting

PostNL uses derivative financial instruments, such as forward currency contracts, interest rate swaps to hedge its foreign currency risks and interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value.

Fair value hedges

The change in the fair value of a hedging instrument is recognised in the statement of profit or loss as financial income or expense.

Cash flow hedges

Cash flow hedges (hedges of a particular risk associated with a recognised asset or liability or a highly probable forecasted transaction).

At the inception of a hedge relationship, PostNL formally designates and documents the hedge relationship to which it wants to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. For all cash flow hedges PostNL wants to apply hedge accounting.

The effective portion of the change in the fair value of the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the

cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

Amounts accumulated in OCI are recycled in the income statement in the periods when the hedged item will affect profit and loss (for example, when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the asset or liability.

When a hedging instrument expires or is sold, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gains or losses existing in equity at that time remain in equity until the underlying transaction is ultimately recognised in the income statement. When an underlying transaction is no longer expected to occur, the cumulative gains or losses that were reported in equity are immediately transferred to the income statement.

Fair value measurement

Fair value measurement is based on the following fair value measurement hierarchy:

- 1) quoted prices (unadjusted) in active markets,
- 2) inputs other than quoted prices that are observable either directly (prices) or indirectly (derived from quoted prices), and
- 3) inputs not based on observable market data. Valuation techniques used include the use of recent arm's-length transactions, reference to other instruments that are substantially the same, statutory/management reports and discounted cash flow analysis.

Financial assets and liabilities measured at amortised costs using the effective interest method

A financial asset is measured at amortised cost if both of the following conditions are met:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial liabilities are measured at amortised cost, except for financial liabilities at fair value through profit or loss. Financial liabilities are recognised initially at fair value net of transaction costs incurred and are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the financial liability using the effective interest method.

Financial assets designated at fair value through other comprehensive income

PostNL's equity investments are classified as equity instruments designated at fair value through OCI. Gains and losses on these financial assets are never recycled to profit or loss.

Dividends are recognised as financial income in the statement of profit or loss when the right of payment has been established, except when PostNL benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

4.1 Adjusted net debt

PostNL Adjusted net debt in € million

2020, 2021

At 31 December	2020	2021
Short- and long-term debt	708	732
Long-term interest bearing assets	(27)	(20)
Cash and cash equivalents	(651)	(848)
Net debt	31	(136)
Pension liabilities	86	67
Lease liabilities (on balance)	294	333
Lease liabilities (off balance) ¹	66	17
Deferred tax assets on pension and lease liabilities ²	(70)	(79)
Adjusted net debt	407	203

1 The lease liabilities (off balance) are the net present value of the Off balance sheet commitments relating to leases from note 3.10 of €18 million (2020: €87 million).

2 The deferred tax assets relate for €74 million (2020: €56 million) to on balance lease liabilities, see note 3.8 Deferred income taxes, for €5 million (2020: €14 million) to off balance lease liabilities and for €0 million (2020: €0 million) to pension liabilities.

As at 31 December 2021 adjusted net debt amounted to €203 million (2020: €407 million). The decrease of €204 million mainly resulted from positive net cash from operating and investing activities of €358 million, positive net cash from discontinued operations of €25 million and a decrease in pension liabilities of €19 million, partly offset by new leases of €68 million and dividend payments of €113 million.

Reference is made to note 3.4 Leases, note 3.5 Provisions for pension liabilities and note 3.10 Commitments and contingencies for more detailed information on leases (on and off balance) and pensions.

Long-term interest bearing assets

As at 31 December 2021, long-term interest-bearing assets of €20 million (2020: €27 million) mainly include a lessor loan of €18 million (2020: €15 million) relating to the finance lease of a sorting machine by Bol.com. In 2020, a loan of €10 million to Nexive was included which was repaid in January 2021. The expected credit loss amounts to €0 million.

Cash and cash equivalents

PostNL Cash and cash equivalents in € million

2020, 2021

At 31 December	Nominal amount	Average amount	Effective interest rate
Cash at bank and in hand	257		
Bank deposits	85	35	(0.60%)
Money Market Funds	309	255	(0.45%)
Total cash and cash equivalents 2020	651		
Cash at bank and in hand	411		
Bank deposits	65	114	(0.64%)
Money Market Funds	372	357	(0.56%)
Total cash and cash equivalents 2021	848		

As at 31 December 2021, included in cash and cash equivalents was €0 million (2020: €0 million) of restricted cash. The fair value of cash and cash equivalents approximated the carrying value.

Debt

As at 31 December 2021, the total of debt-related liabilities consists of long-term debt of €997 million (2020: €927 million) and short-term debt of €69 million (2020: €75 million).

PostNL Total borrowings - maturity schedule in € million

2021

	Eurobonds	Lease liabilities	Other loans	Total
2022	0	65	4	69
2023	0	63	4	67
2024	399	52	4	455
Thereafter	297	154	23	474
Total borrowings	697	333	36	1,066
Of which included in long-term debt	697	269	31	997
Of which included in short-term debt	0	65	4	69

In 2021, the other loans of €36 million include the long term liability of future (legal) lease payments for land, buildings and machinery of two recently build Parcels sorting centres and

sorting machines with an interest rate of 1.8%. In 2020, the other loans of €12 million mainly included a short-term pre-lease financing with an interest rate of 1.3%.

The following table presents the cash and the non-cash changes in debt during 2021.

PostNL Reconciliation debt in € million

2021

	Eurobonds	Lease liabilities	Other loans	Total
Balance at 1 January 2021	696	294	12	1,002
Proceeds			0	0
Repayments/lease-incentives		(69)	(5)	(73)
Total cash movements	0	(69)	(5)	(73)
Lease liability transferred to other loans		(19)	19	0
New leases		117		117
Lease modifications/reassessments		12		12
Disposal of leases		(2)		(2)
New loan related to building of NLI			9	9
Amortisation	1			1
Total non-cash movements	1	108	28	137
Balance at 31 December 2021	697	333	36	1,066

Refer to note 4.5 for more details on the current outstanding eurobonds.

The following table presents the cash and the non-cash changes in debt during 2020.

PostNL Reconciliation debt in € million

2020

	Eurobonds	Lease liabilities	Other loans	Total
Balance at 1 January 2020	695	264	1	960
Proceeds			1	1
Repayments		(79)	(1)	(80)
Total cash movements	0	(79)	(0)	(79)
New leases		123		123
Disposal of leases		(7)		(7)
New loan related to building of NLI			12	12
Disposal of subsidiaries		(3)		(3)
Amortisation	1			1
Transfers to assets held for sale		(5)		(5)
Total non-cash movements	1	108	12	121
Balance at 31 December 2020	696	294	12	1,002

4.2 Financial assets at fair value through OCI

The following table presents the changes in the carrying value of the financial assets at fair value through OCI.

PostNL Financial assets at fair value through OCI in € million

2020, 2021

	2020	2021
Balance at 1 January	15	15
Additions	1	2
Remeasurement recognised in OCI	(0)	12
Repayment of our stake in Endeit	(1)	(1)
Balance at 31 December	15	28

As at 31 December 2021, the investments in financial assets at fair value through OCI relate to investments in equity shares of non-listed companies. PostNL holds non-controlling interests in Whistl Group Holdings Limited, Endeit Fund II Coöperatief U.A., Endeit Fund III Coöperatief U.A. and Clean Clothes B.V. The assessment of fair value is based on key performance

indicators included in related management and statutory reports and derived from the expected development of business and financial performance and external valuation insights, if available. In 2021, the fair value remeasurement of €12 million mainly related to our stake in Whistl.

4.3 Capital management

Capital management is focused on the following components of the current capital structure:

- targeting a leverage ratio (adjusted net debt/EBITDA) not exceeding 2.0 (outcome 2021: 0.4);
- structural availability of €100 million to €200 million of undrawn committed facilities out of our revolving credit facility (reference is made to note 4.4);
- structural funding via a combination of public and bank debt, with a risk-weighted mix of fixed and floating interest;
- cash pooling systems that ensure optimal cash requirements for the PostNL Group by facilitating centralised funding and surplus cash concentration at group level;
- tax-optimal internal and external funding focused on optimising the cost of capital for PostNL, within boundaries that are sustainable on a long-term basis.

4.4 Financial risk management

PostNL's activities expose the company to a variety of financial risks, such as interest rate risk, foreign currency exchange risk, credit risk and liquidity risk. All these risks arise in the normal course of business and PostNL therefore uses various techniques and financial derivatives to mitigate them.

The following analyses provides quantitative information regarding PostNL's exposure to the financial risks described above. There are certain limitations and simplifications inherent in the analyses presented, primarily due to the assumption that rates change in a parallel fashion and instantaneously. At the same time, for example, the impact of changes in interest on foreign exchange exposures and vice versa is ignored. In addition, the analyses are unable to reflect the complex market reactions that would normally arise from the market shifts assumed.

PostNL uses derivative financial instruments solely for the purpose of hedging currency and interest exposures. The company enters into contracts related to derivative financial instruments for periods commensurate with its underlying exposures and does not take positions independent of these exposures. None of these financial instruments are leveraged or used for trading purposes or to take speculative positions.

Financial risk management is carried out by Group Treasury under policies approved by the Board of Management. Group Treasury identifies, evaluates and hedges financial risks and exposures in close cooperation with operating units. The Board of Management provides written principles for overall risk management, as well as written policies covering the financial risks. Periodic reporting on financial risks is embedded in the overall risk framework and is provided to the Board of Management in a structural way.

Group Treasury matches and manages the intragroup and external financial exposures. Although the company generally enters into hedging arrangements and other contracts to reduce its exposures, these measures may be inadequate or may subject the company to increased operating or financing costs.

Interest rate risk

PostNL identifies interest rate risk associated with its financial assets and borrowings. Virtually all debts are at fixed rates, an increase in the rate will therefore not affect the cost base. As at 31 December 2021, PostNL's gross interest-bearing borrowings, including lease obligations, totalled €1,066 million (2020: €1,002 million), all at fixed interest rates. Financial assets are on average of a short-term nature.

At 31 December 2021, if interest rates on borrowings and financial assets had been 1% higher with other variables held constant, the profit before income tax would have been €8 million higher (2020: €7 million). The potential profit increase is entirely attributable to interest income on the cash and cash equivalents. Equity would be positively affected by €6 million (2020: €6 million), mainly due to the interest income on cash and cash equivalents.

Foreign currency exchange risk

PostNL has international operations that generate foreign currency exchange risks arising from future commercial transactions, recognised assets and liabilities, investments and divestments in foreign currencies other than functional currencies of the respective business units of PostNL, irrespective of whether it is the euro (PostNL's functional and reporting currency) or another functional currency. For accounting purposes the European Central Bank is used as the source.

The main currencies of PostNL's external hedges are the British Pound, Hong Kong Dollar and US Dollar.

The Board of Management has set a policy requiring Group companies to manage their foreign exchange risk against the functional currency. Group companies are required to hedge material

exposures via the use of foreign exchange derivatives with Group Treasury, whereby a financing company operated by Group Treasury trades these foreign exchange derivatives with external banks. As at 31 December 2021, PostNL had no net investment hedges outstanding. Significant acquisitions and local debt are usually funded in the currency of the underlying assets.

As at 31 December 2021, if the euro had weakened 10% against the British Pound, the Hong Kong Dollar and the US Dollar with all other variables held constant, the profit before income taxes on the foreign exchange exposure on financial instruments would have been €0 million lower/higher (2020: €0 million). In 2021, the net income sensitivity to movements in euro/pound sterling, euro/HK dollar and euro/US dollar exchange rates is negligible and did not change compared to 2020. Equity would have been positively impacted by €2 million (2020: €2 million), all related to the move in the hedge reserve.

Credit risk

Credit risk represents the potential losses that the company would incur if counterparties are unable to fulfil the terms of underlying agreements. Credit risk arises from cash and cash equivalents, derivatives and deposits with banks and financial institutions as well as credit exposures relating to customers. The credit risk exposure is minimised by only transacting with financial institutions, ensuring established credit guidelines are met and by managing its customer portfolio.

The top 10 trade accounts receivable accounted for 19% of outstanding trade receivables as at 31 December 2021. In 2021, we noticed no material negative impact from Covid-19 on the payment behaviour of our customers.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, PostNL attempts to maintain flexibility in funding by keeping committed credit lines available. The terms and conditions of PostNL's material long-term and short-term debts, as well as its material drawn or undrawn committed credit facilities do not include any financial covenants. There are no obligations to accelerate repayments of these material debts and committed facilities in the event of a credit rating downgrade. A downgrade in PostNL's credit rating may negatively affect its ability to obtain funds from financial institutions and banks and increase its financing costs by increasing the interest rates on its outstanding debt or the interest rates at which the company is able to refinance existing debt or incur new debt.

At 31 December 2021, the €200 million committed credit facility (maturity date: December 2026) was undrawn. The terminated €400 million credit facility was in 2020 undrawn.

The following table analyses PostNL's financial liabilities, categorising them into relevant maturity groupings based on the remaining period on the balance sheet to the contractual maturity date. The outgoing flows disclosed in the table are the contractual undiscounted cash flows that contain the redemptions and interest payments.

PostNL Maturity liquidity risks in € million

2020, 2021

	Less than 1 year	Between 1 and 3 years	Thereafter	Book value
At 31 December				
Eurobonds	6	12	710	696
Leases	68	114	131	294
Other loans	12			12
Interest rate and cross-currency swaps - outgoing	18			1
Foreign exchange contracts - outgoing	238			1
Trade accounts payable	141			141
Other current liabilities	72			72
Total outgoing flows	555	126	841	1,218
Interest rate and cross-currency swaps - incoming	18			
Foreign exchange contracts - incoming	238			
Total mitigation via incoming flows	256			
Total liquidity risk 2020	299	126	841	1,218
Eurobonds	6	412	304	697
Leases	71	125	164	333
Other loans	5	9	24	36
Foreign exchange contracts - outgoing	317			1
Trade accounts payable	168			168
Other current liabilities	54			54
Total outgoing flows	621	546	492	1,289
Foreign exchange contracts - incoming	317			
Total mitigation via incoming flows	317			
Total liquidity risk 2021	304	546	492	1,289

4.5 Financial instruments

In line with IFRS 9 and IFRS 13, the following categories of financial assets and financial liabilities can be distinguished.

PostNL Financial instruments - assets in € million

2020, 2021

At 31 December	Notes	Input information level (IFRS13)	Loans and receivables	Derivatives used for hedging	Financial assets at fair value through OCI	Total
Other loans receivable		level 2	27			27
Other financial fixed assets		level 3			15	15
Accounts receivable	3.1.1	level 2	355			355
Foreign exchange contracts ¹		level 2		1		1
Cash and cash equivalents	4.1		651			651
Total assets balance sheet 2020			1,032	1	15	1,048
Other loans receivable		level 2	20			20
Other financial fixed assets		level 3			28	28
Accounts receivable	3.1.1	level 2	364			364
Foreign exchange contracts ¹		level 2		1		1
Cash and cash equivalents	4.1		848			848
Total assets balance sheet 2021			1,232	1	28	1,261

¹ Foreign exchange contracts are included in prepayments and accrued income in the statement of financial position.

Fair value represents the price that would be received when selling an asset in an orderly transaction between willing market participants. For the level 3 financial assets at fair value through OCI our valuations have been measured by using the market approach as per 31 December 2020 and 31 December 2021.

PostNL Financial instruments - liabilities in € million

2020, 2021

	Notes	Input information level (IFRS13)	Financial liabilities measured at amortised costs	Derivatives used for hedging	Total
At 31 December					
Long-term debt	4.1	level 1 ¹	696		696
Trade accounts payable		level 2 ²	141		141
Short-term debt	4.1	level 2 ²	12		12
Other current liabilities ³	3.1.2	level 2 ²	72	2	74
Total liabilities balance sheet 2020			921	2	923
Long-term debt	4.1	level 1&2 ¹	728		728
Trade accounts payable		level 2 ²	168		168
Short-term debt	4.1	level 2 ²	4		4
Other current liabilities ³	3.1.2	level 2 ²	54	1	55
Total liabilities balance sheet 2021			954	1	955

1 Eurobonds level 1 and other loans level 2.

2 We consider the fair value equal to the book value as these items will be settled within short-term and therefore level 2.

3 Other current liabilities include 'Payments from customers received in advance' for €49 million (2020: €48 million) and 'Other' for €6 million (2020: €26 million), refer to note 3.1.2.

All financial instruments are reported on a gross basis per instrument. Netting of financial instruments per contractual counterparty will not have a material impact on the outstanding balances.

Eurobonds

For the details on the outstanding eurobonds, see the following table.

PostNL Outstanding eurobonds in € million

2020, 2021

	Nominal value	Costs/ discount to be amortised	Carrying value	Fair value
At 31 December				
1.000% eurobond 2024	400	1	399	416
0.625% eurobond 2026	300	3	297	312
Total outstanding eurobonds 2020	700	4	696	728
1.000% eurobond 2024	400	1	399	410
0.625% eurobond 2026	300	3	297	306
Total outstanding eurobonds 2021	700	3	697	716

Leases

For the details on the outstanding leases, see the table below.

PostNL Outstanding leases in € million

2020, 2021

At 31 December	Nominal value	Fixed/floating interest	Carrying value	Fair value
Total outstanding leases 2020	294	fixed	294	294
Total outstanding leases 2021	333	fixed	333	333

Derivatives - Foreign currency exchange contracts

For the details on the outstanding foreign exchange contracts, see the table below.

PostNL Outstanding foreign exchange contracts in € million

2020, 2021

At 31 December	Carrying value	Fair value	Nominal value	Hedge	Amount in equity
Asset	1	1	125	balance sheet/ cashflow	0
Liability	1	1	112	balance sheet/ cashflow	0
Foreign exchange contracts 2020					
Asset	1	1	86	balance sheet/ cashflow	0
Liability	1	1	112	balance sheet/ cashflow	0
Foreign exchange contracts 2021					

The fair value of these outstanding foreign exchange hedges is recorded as a current asset in 'prepayments and accrued income' or as a current liability in 'other current liabilities' and includes credit valuation adjustments.

In 2021, the total ineffective portion on all derivatives recognised in the income statement that arises from the use of fair value and cash flow hedges amounted to €0 million (2020: €0 million).

Derivatives - Interest rate swaps

For the details on the outstanding interest rate swaps, see the table below.

PostNL Interest rate swaps in € million

2020, 2021

At 31 December	Carrying value	Fair value	Nominal value	Hedge	Amount in equity
Interest rate swaps 2020	(1)	(1)	18	balance sheet/ cashflow	(1)
Interest rate swaps 2021	0	0	0	balance sheet/ cashflow	0

The fair value of these outstanding interest rate swaps is recorded as a current asset in 'prepayments and accrued income' or as a current liability in 'other current liabilities' and includes credit valuation adjustments.

4.6 Equity

Accounting policies

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases PostNL's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, are included in equity.

Authorised share capital

Since 4 August 2011, the company's authorised share capital amounts to €120 million, divided into 750,000,000 ordinary shares and 750,000,000 preference shares B, both of €0.08 nominal value each.

Form of shares

The ordinary shares are in bearer or registered form. Ordinary shares in bearer form are represented by a global note held by the Dutch clearing system Euroclear Netherlands and are transferable through Euroclear Netherlands' book entry system. Ordinary shares in registered form are transferred by means of a deed of transfer and PostNL's written acknowledgement of the transfer. PostNL does not have share certificates for ordinary shares represented by the global note. The preference shares B are in registered form.

Issued share capital

At 31 December 2021, the company's issued share capital amounted to €41 million (2020: €40 million). The number of authorised, issued and outstanding shares by class of share is as presented in the table hereafter.

Issuance/repurchase of shares to cover share plans

For all equity-settled and cash-settled share plans, PostNL intends to perform the settlement (or in case of cash-settled plans, fund the settlement) by issuing new shares. As a result, the

company issued 747,526 ordinary shares in 2021 (2020: 1,038,803 shares) under its incentive schemes to 'Stichting Managementparticipatie PostNL' (Foundation Management Participation PostNL). The company did not purchase any ordinary shares in 2021 (2020: 0 shares) to cover its obligations under the existing share plans. At 31 December 2021, the total number of shares held for this purpose was nil (2020: 0 shares). The company also held no ordinary shares for cancellation at 31 December 2021 (2020: 0 shares).

PostNL Shares number of shares

2020, 2021

Before proposed appropriation of profit	2020	2021
Authorised by class		
Ordinary shares	750,000,000	750,000,000
Preference shares B	750,000,000	750,000,000
Total authorised	1,500,000,000	1,500,000,000
Issued and outstanding		
Per 1 January of the reported year	493,952,586	494,991,389
Issued for stock dividend	0	17,513,098
Issued under its incentive schemes	1,038,803	747,526
Per 31 December of the reported year	494,991,389	513,252,013
Issued and outstanding per 31 December by class		
Ordinary shares	494,991,389	513,252,013
of which held by the company to cover share plans	0	0
of which a foundation incorporated by the company only holds the legal title	2,161,059	1,852,045
Preference shares B	0	0

Incentive scheme and Foundation Management Participation PostNL

For administration and compliance purposes, since May 2013 all shares belonging to PostNL employees under PostNL incentive schemes are held by Stichting Managementparticipatie PostNL (Foundation Management Participation PostNL) on an omnibus securities account with ABN AMRO Bank, the Netherlands. Foundation Management Participation PostNL legally owns the shares, while the beneficial ownership of the shares is vested in the employees, who are also entitled to dividend received by Foundation Management Participation PostNL on their behalf. At 31 December 2021, the number of PostNL shares involved amounted to 1,852,045 shares (2020: 2,161,059 shares) with a nominal value of €0.08 per share.

Foundation Continuity PostNL and preference shares B

Stichting Continuïteit PostNL (Foundation Continuity PostNL) was formed to safeguard the interests of PostNL, the undertaking connected with PostNL and all parties involved. It does this by, among other things, preventing any influences that could threaten PostNL's continuity, independence and identity, as far as possible. Foundation Continuity PostNL is an independent legal entity and is not owned or controlled by PostNL or any other legal person.

PostNL's articles of association provide for protective preference shares B that can be issued to Foundation Continuity PostNL to serve these interests. The preference shares B have a nominal value of €0.08 and have the same voting rights as PostNL's ordinary shares.

PostNL and Foundation Continuity PostNL have entered into a call option agreement, which enables Foundation Continuity PostNL to acquire a number of preference shares B not exceeding the total issued amount of shares minus one and minus any shares already issued to Foundation Continuity PostNL. The call option agreement is meant as a preventive countermeasure against influences that might threaten the continuity, independence and identity of the company. Preference shares B will be outstanding no longer than is strictly necessary. At 31 December 2021 no preference shares B were issued.

Additional paid-in capital

At 31 December 2021, additional paid-in capital of €163 million (2020: €161 million) is fully exempt for Dutch tax purposes to the extent that this has been paid in by shareholders of the company.

Section 5: Other notes

5.1 Remuneration of Supervisory Board, Board of Management and senior management

Accounting policies

Equity-settled share-based compensation plans

PostNL operates a number of equity-settled share-based compensation plans, under which the employees receive (conditional) shares of the Group for services rendered. The fair value of the employee services received, as measured at the grant date, in exchange for the grant of the shares is recognised as an expense, with a corresponding increase in equity.

Non-market performance and service conditions are included in assumptions about the number of (conditional) shares that are expected to vest. The total expense is recognised

over the vesting period, which is the period over which all the specified vesting conditions are to be satisfied. In addition, for some share-based compensation plans, employees provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense between service commencement date and grant date. At the end of each reporting period, the Group revises its estimates of the number of shares that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

Remuneration of members of the Supervisory Board

Total remuneration of the Supervisory Board in 2021 amounted to €341,840 (2020: €375,867). For details see the 'Remuneration report'.

The members of the Supervisory Board receive no compensation related to performance and/or equity and accrue no pension rights with the company. The members of the Supervisory Board receive no severance payments in the event of termination. PostNL does not grant loans,

including mortgage loans, advance payments, guarantees and options or shares to any member of the Supervisory Board.

Remuneration of members of the Board of Management

In 2021, the total remuneration based on IFRS of the Board of Management amounted to €2,164,617 (2020: €2,163,095). The following table presents total remuneration of the Board of Management:

PostNL Remuneration of the Board of Management in €

2020, 2021

		Base salary ¹	Other benefits ²	Pension costs ³	One year variable	Multi-year variable	Total remuneration
Herna Verhagen - CEO	2021	659,844	183,551	42,595	173,209	177,877	1,237,076
	2020	640,625	181,760	34,316	216,211	163,464	1,236,376
Pim Berendsen - CFO	2021	501,481	112,874	46,362	131,639	135,185	927,541
	2020	486,875	114,341	41,099	164,320	120,084	926,719

1 Base salaries 2021 were indexed with 3.0%.

2 Other benefits include company costs related to tax and social security, pension allowances, company car and other compensation.

3 Pension costs represent the service costs of the defined benefit scheme and risk premium for the net pension plan.

Base salary

The base salaries for both members of the Board of Management were increased with 3% in 2021 compared to 2020 in line with the remuneration policy.

Accrued for short-term incentive

PostNL accounts for the short-term incentive on the basis of the performance of the year reported. In 2021, an amount of €304,848 was accrued for. In accordance with the remuneration

policy, this amount will be paid in cash in 2022. In 2021, an amount of €380,531 was paid to the members of the Board of Management in relation to the short-term incentive of 2020.

Accrued for long-term incentive

In 2021, the total share-based payment costs relating to the long-term incentive performance share plan for the members of the Board of Management amounted to €313,062 (2020: €283,548).

Performance share plan (PSP)

The members of the Board of Management are awarded a long-term incentive, which represents a maximum potential reward of 37.5% of the annual base salary in the form of a performance share plan. The characteristics of this performance share plan are:

- it is a conditional equity-settled share plan based on a three-year performance period
- each year shares are conditionally allocated to members of the Board of Management
- a conditional dividend equivalent is added to the conditional shares equal to the dividend rights of ordinary shares

- the conditional shares and their conditional dividend equivalents will vest after a performance period of three years
- vesting is subject to the achievement of targets set on each of the long-term performance measures supportive to the attainment of PostNL's strategy
- if a member of the Board of Management leaves the company during the performance period due to circumstances involving fraud or gross misbehaviour, any accrued rights on the long-term incentive plan will terminate and become void
- if a member of the Board of Management leaves the company due to other reasons, a pro rata performance and time-based vesting applies, unless decided otherwise by the Supervisory board

In compliance with the Dutch Corporate Governance Code, following a three-year performance period, the holding period for vested shares expires two years thereafter or at termination of employment/service if this occurs earlier. For compliance reasons, a sale of shares may not occur within six months following the date of termination of the employment/service. Any sale of shares for the purpose of using the proceeds to pay for the tax due at vesting of these shares is exempted.

PostNL Performance share plan Board of Management number of shares

2021

Name of Director - position	Specification of plan	Number of shares held at 1 Jan 2021	Number of shares granted during 2021 ¹	Number of dividend shares ²	Number of shares settled during 2021	Number of shares forfeited during 2021	Net number of shares under a holding period at 31 Dec 2021	Number of shares subject to a performance condition at 31 Dec 2021
Herna Verhagen - CEO	PSP 2021		53,636	1,201				54,837
	PSP 2020	161,884		14,320				176,204
	PSP 2019	105,737		9,353				115,090
	PSP 2018	85,692		5,539	(59,300)	(31,931)	30,687	
	PSP 2017	10,629					10,629	
	PSP 2016	25,725						
	Total shares		389,667	53,636	30,413	(59,300)	(31,931)	41,316
Pim Berendsen - CFO	PSP 2021		40,764	913				41,677
	PSP 2020	123,032		10,883				133,915
	PSP 2019	80,361		7,109				87,470
	PSP 2018	65,126		4,209	(45,068)	(24,267)	23,322	
	Total shares		268,519	40,764	23,114	(45,068)	(24,267)	23,322
Total shares		658,186	94,400	53,527	(104,368)	(56,198)	64,638	609,193

¹ The number of conditional shares granted is based on 37.5% of the annual base salary divided by the five-day average Euronext Amsterdam share price of PostNL prior to the date of publication of the Q1 2021 results (€4.479).

² Conditional dividend shares were granted following the final dividend 2020 and interim dividend 2021.

PostNL The main conditions of share award plans

2021

Specification of plan	Performance period	Grant date
PSP 2021	01/01/2021-31/12/2023	14/05/2021
PSP 2020	01/01/2020-31/12/2022	06/05/2020
PSP 2019	01/01/2019-31/12/2021	10/05/2019
PSP 2018	01/01/2018-31/12/2020	09/05/2018
PSP 2017	01/01/2017-31/12/2019	09/05/2017
PSP 2016	01/01/2016-31/12/2018	10/05/2016

The vesting date is generally equal to grand date plus three years. Subsequently a holding period of two years applies.

Note that the number of outstanding conditional shares does not represent the total number of shares held by each member of the Board of Management, which includes vested shares under PostNL's performance share plan and variable remuneration.

In 2021, an amount of €313,062 (2020: €283,548) was expensed for the cost of the performance shares of the Board of Management. The costs are determined by multiplying the number of granted performance shares by the fair value of such shares on the date of the grant (PSP 2021: €4.375 per share; PSP 2020: €1.341 per share; PSP 2019: €1.853 per share; PSP 2018: €3.220 per share) and by taking into account expected vesting percentages.

Other periodic compensation

Other periodic compensation included company costs related to tax and social security, pension allowances, company car and other compensation.

Pension costs

The pension costs consist of the service costs for the reported year (net of employee contributions) and risk premium for the net pension plan. The members of the Board of Management are participants in a career average defined benefit scheme.

Loans, advance payments of guarantees

No loans, advance payments or guarantees were granted to members of the Board of Management in 2021 (2020: nil).

Remuneration of senior management Short-term incentive

The short-term incentive for senior management represents a potential reward of a percentage of the annual base salary (the percentage depending on the job level), which is based on annual performance measures. Of the realised achievements, 50% is paid in cash and 50% is paid in PostNL shares in the following year. Shares will be granted unconditionally and will be delivered without restrictions or a restricted period, other than those defined in the PostNL insider trading policy.

PostNL Performance share plan senior management

2021

Specification of plan	Number of shares held at 1	Number of shares granted	Number of dividend shares ²	Number of shares settled	Number of shares forfeited	Number of shares
	Jan 2021	during 2021 ¹		during 2021	during 2021	outstanding at 31 Dec 2021
PSP 2021		148,363	3,323			151,686
PSP 2020	372,094	16,072	33,276			421,442
PSP 2019	238,111	7,688	21,238			267,037
PSP 2018	187,763		12,137	(129,939)	(69,961)	
Total shares	797,968	172,123	69,974	(129,939)	(69,961)	840,165

¹ The number of conditional shares is based on 37.5% of the annual base salary divided by the five-day average Euronext Amsterdam share price of PostNL prior to the date of publication of the Q1 2021 results (€4,479).

² Conditional dividend shares were granted following the final dividend 2020 and interim dividend 2021.

In 2021, an amount of €500,642 (2020: €342,354) was expensed for the cost of the performance shares of senior management. The costs are determined by multiplying the number of granted performance shares by the fair value of such shares on the date of the grant (PSP 2021: €4.375; PSP 2020: €1.341 per share; PSP 2019: €1.853 per share; PSP 2018: €3.220 per share) and by taking into account expected vesting percentages.

The 50% of the short-term incentive settled in shares is accounted for as an equity-settled share-based payment. The accrued share-based payment costs relating to this short-term incentive amounted to €1.8 million in 2021 (2020: €2.1 million). The realised amounts will be granted and paid in PostNL shares in 2022.

Performance share plan

A selected group of members of senior management is awarded a long-term incentive, which represents a potential reward of 37.5% of the annual base salary in the form of a performance share plan that contains three-year performance measures. The long-term incentive is part of the remuneration package for this selected group of senior management. It is aimed particularly at aligning their interests with the long-term interests of the company and its shareholders.

The performance share plan contains the same characteristics as the performance share plan of the Board of Management with the exception that there is no holding period applicable for senior management.

Bonus matching share plan

Since 2011, senior management have had the opportunity, on a voluntary basis, to participate in a bonus/matching plan. The company sees the bonus matching plan as part of the remuneration package for the members of senior management, particularly aimed at aligning their interests with the long-term interests of the company and shareholders. At the discretion of the

Supervisory Board, grants are made on an annual basis in accordance with the bonus matching plan which has been approved by the Supervisory Board. The significant aspects of the plan are:

- bonus shares are purchased by the participant using 25% of the gross (cash) variable remuneration and delivered upon the grant of the right on matching shares
- the number of bonus shares is calculated by dividing 25% of an individual's gross annual cash bonus relating to the preceding financial year by the share price on Euronext Amsterdam on the date the grant is made
- the rights to matching shares are granted free of charge. The number of matching shares is equal to the number of bonus shares (equity settled scheme)
- the matching rights vest three years after the delivery of the bonus shares
- for each bonus share that is sold within three years, the associated right to one matching share lapses. If more than 50% of the bonus shares are sold within three years, the entire right to matching shares lapses with immediate effect
- if a participant leaves the company for certain reasons (retirement, certain reorganisations, disability or death), the right to matching shares will vest immediately and he/she can exercise his/her right pro rata
- a participant loses the right to exercise his/her right on matching shares when he/she leaves the company for reasons other than those mentioned

The exercise of the rights to matching shares is subject to the PostNL insiders trading policy.

PostNL Bonus matching plan senior management

2021

Specification of plan	Vesting period	Number of shares				Number of shares outstanding at 31 Dec 2021
		Number of shares outstanding at 1 Jan 2021	Number of shares granted during 2021	Number of shares settled during 2021	Number of shares forfeited during 2021	
Bonus matching 2021	14/05/2020-14/05/2023		37,908			37,908
Bonus matching 2020	06/05/2020-06/05/2023	55,568		(463)	(4,507)	50,598
Bonus matching 2019	10/05/2019-10/05/2022	37,402			(2,866)	34,536
Bonus matching 2018	09/05/2018-09/05/2021	9,529		(9,334)	(195)	
Total		102,499	37,908	(9,797)	(7,568)	123,042

In 2021, an amount of €75,326 (2020: €61,451) was expensed for the cost of the equity-settled bonus matching shares. The costs are determined by multiplying the number of granted matching shares by the fair value of such shares on the date of the grant (2021: €4.375 per share; 2020: €1.341 per share; 2019: €1.853 per share; 2018: €3.220 per share) and by taking into account expected vesting percentages.

Financing of equity-settled plans

For all equity-settled and cash-settled share plans, PostNL intends to perform the settlement (or in case of cash-settled plans, fund the settlement) via the issuance of new shares. Accordingly, the company does not need to actively hedge the risk in connection with its obligations. As a result, the company did not purchase any additional shares in 2021 (2020: 0) to cover its obligations under the existing share plans. As at 31 December 2021, the total number of shares held for this purpose was nil (2020: 0).

5.2 Related party transactions and balances

The PostNL Group companies have trading relationships with a number of joint ventures as well as with companies in which PostNL holds minority stakes. In some cases, there are contractual arrangements in place under which PostNL companies source supplies from such undertakings, or such undertakings source supplies from PostNL. Transactions are carried out at arm's length. During 2021, sales of PostNL to joint ventures and associates amounted to €0 million (2020: €1 million). Purchases of PostNL from joint ventures and associates amounted to €0 million (2020: €0 million). The net amounts due from the joint ventures and associates amounted to €0 million (2020: €11 million, of which €10 million related to a loan of €10 million to Nexive). Related party transactions with PostNL's pension fund are presented in note 3.5 to the consolidated financial statements.

PostNL considers the members of the Board of Management and Supervisory Board as key management personnel as defined by IAS 24. For disclosure on related party transactions with the Board of Management and Supervisory Board, see note 5.1 to the consolidated financial statements.

5.3 Business combinations

In 2021, PostNL did not acquire new business by the acquisition of the shares of other entities.

On 1 July 2020, an additional 20% equity stake in MyParcel.com was acquired, totalling PostNL's stake at 60% of the shares. MyParcel.com provides a multilingual e-commerce platform facilitating services like label generation, global address validation and parcel track-and-trace. The preliminary purchase price allocation resulted in goodwill of €1.4 million and related to expected synergies from combining operations of MyParcel.com and our existing international parcel business. In 2021, finalisation of this analyses resulted in concluding goodwill of €0.6 million.

5.4 Summary of all other accounting policies

Consolidation

The consolidated financial statements include the financial figures of PostNL N.V. and its subsidiaries, associates and joint ventures and have been prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intercompany transactions and balances have been eliminated on consolidation. A complete list of subsidiaries, associates and joint ventures included in PostNL's consolidated financial statements is filed for public review at the Chamber of Commerce in The Hague. This list has been prepared in accordance with the provisions of article 379 (1) and article 414 of book 2 of the Dutch Civil Code.

Subsidiaries

A subsidiary is an entity controlled directly or indirectly by PostNL N.V. Control is defined as the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether PostNL controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to PostNL and are de-consolidated from the date on which control ceases. PostNL uses the acquisition method of accounting to account for the acquisition of subsidiaries. The consideration of an acquisition is measured at the fair value of the assets transferred, equity instruments issued and liabilities incurred or assumed at the date of exchange. The consideration transferred also includes the fair value arising from contingent consideration arrangements. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values on the acquisition date irrespective of the extent of any non-controlling interest. Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred over the fair value of PostNL's share of the identifiable net assets of the subsidiary is recorded as goodwill. If the cost of acquisition is less than the fair value of PostNL's share of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement. The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are recycled to profit or loss. The non-controlling interest is initially measured at the proportion of the non-controlling interest in the recognised net fair value of the assets, liabilities and contingent liabilities. Losses applicable to the non-controlling interest in excess of the non-controlling interest in the subsidiary's equity are allocated against PostNL's interests.

Functional currency and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary environment in which the entity operates ('the functional currency'). These consolidated financial statements are presented in euros, which is PostNL's functional and presentation currency.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Monetary assets and liabilities in foreign currencies are translated to the functional currency using year-end exchange rates. Foreign currency exchange gains and losses resulting from the settlement of foreign currency transactions and balances and from the translation at year-end exchange rates are recognised in the income statement except for qualifying cash flow hedges and qualifying net investment hedges that are directly recognised in other comprehensive income.

Foreign operations

The results and financial position of all Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing exchange rates,
- income and expenses are translated at average exchange rates, and
- the resulting exchange rate differences based on the different ways of translating between the balance sheet and the income statement are recognised as a separate component of equity (translation reserve).

Foreign currency exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to the translation reserve. When a foreign operation is sold, such exchange differences are recycled in the income statement as part of the gain or loss on the sale.

Impairment of goodwill

Goodwill is not subject to amortisation but is tested for impairment annually or whenever there is an indication that the asset might be impaired. For the purposes of assessing impairment, assets are grouped at the lowest levels at which there are separately identifiable cash flows, being the cash-generating units (CGUs). If the recoverable value of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of the goodwill allocated to

the CGU and then pro rata to other assets of the CGU. The recoverable amount is the higher of the fair value less costs of disposal and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the asset-specific risks. For the purpose of assessing impairment, corporate assets are allocated to specific CGUs before impairment testing. The allocation of the corporate assets is based on the contribution of those assets to the future cash flows of the CGU under review. Impairment losses recognised for goodwill are not reversed in a subsequent period.

Impairment of investments in joint ventures and associates

PostNL assesses on each balance sheet date whether there is objective evidence that an investment in a joint venture or associate may need to be impaired. If the recoverable value of the investment is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The recoverable amount is the higher of the fair value less costs of disposal and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the asset-specific risks. The fair value less costs of disposal of a joint venture or associate is reviewed based on observable publicly available market data. Possible impairment charges may be reversed if there is an indication that the impairment no longer exists or has been reduced.

Impairment of finite-lived intangible assets and property, plant and equipment

At each balance sheet date, PostNL reviews its finite-lived intangible assets and property, plant and equipment for an indication of impairment. If any indication exists, the recoverable amount of the assets is estimated. The recoverable amount is defined as the higher of an asset's fair value less costs of disposal and its value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Any impairment loss is recognised immediately in the income statement. Impairment losses recognised in prior periods shall be reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The recoverable amount shall not exceed the carrying amount that would have been determined had no impairment loss been recognised in previous periods. A reversal of an impairment loss is recognised immediately in the income statement.

Profit sharing

The company recognises a liability and an expense for profit-sharing by employees, based on a calculation that takes into consideration quantitative and qualitative performance measures in accordance with contractual arrangements.

Dividend distribution

Dividend distribution to PostNL's shareholders is recognised as a liability in the financial statements in the year in which the dividends are approved by the shareholders. If PostNL offers its shareholders (the choice of) dividends in additional shares, the additionally issued shares are recognised at their nominal amount.

5.5 Subsequent events

On 25 January 2022, PostNL announced a share buyback programme to neutralise the assumed dilutive impact of shares issued in relation to dividends over 2021- 2023. The company will repurchase ordinary shares of PostNL N.V. to value of around €250 million, spread over 2022 and 2023. The execution of the programme will start after 28 February 2022.

Corporate primary statements

PostNL N.V. Corporate income statement in € million

2020, 2021

Year ended at 31 December	Notes	2020	2021
Dividend income	6.2.1	200	200
Reversal impairment/(impairment) investments in subsidiaries	6.2.2	219	524
Salaries, pensions and social security contributions	6.2.3	(35)	(74)
Other operating expenses		1	0
Total operating expenses		185	450
Operating income		385	650
Interest and similar income		0	0
Interest and similar expenses		(8)	(9)
Net financial expense	6.2.4	(8)	(9)
Profit/(loss) before income taxes		377	641
Income taxes	6.2.5	11	21
Profit/(loss) for the year attributable to shareholders		388	662

PostNL N.V. Corporate statement of comprehensive income in € million

2020, 2021

Year ended at 31 December	Notes	2020	2021
Profit for the year attributable to shareholders		388	662
Actuarial gains/(losses) pensions, net of tax	6.4.2	(21)	605
Pension asset ceiling/minimum funding requirement, net of tax	6.4.2	46	(551)
Other comprehensive income that will not be reclassified to the income statement		25	54
Total comprehensive income for the year		413	715

PostNL N.V. Corporate statement of financial position in € million

2020, 2021

At 31 December, before appropriation of profit	Notes	2020	2021
Assets			
Investments in subsidiaries	6.4.1	3,002	3,526
Deferred tax assets	6.2.5	3	0
Total non-current assets		3,004	3,526
Accounts receivable from Group companies	6.4.3	323	286
Other accounts receivable		2	2
Income tax receivable		0	101
Total current assets		326	389
Total assets		3,330	3,915
Equity and liabilities			
Issued share capital		40	41
Additional paid-in capital		161	163
Revaluation reserve investments in subsidiaries		1,978	2,502
Other reserves		(22)	(188)
Retained earnings		388	632
Total shareholders' equity	6.3.4	2,546	3,151
Provision for pension liabilities	6.4.2	81	64
Eurobonds	6.4.4	696	697
Other provisions		1	1
Total non-current liabilities		778	762
Accounts payable to Group companies		0	1
Income tax payable		5	0
Other current liabilities		1	1
Total current liabilities		6	2
Total equity and liabilities		3,330	3,915

PostNL N.V. Corporate statement of cash flows in € million

2020, 2021

Year ended at 31 December	Notes	2020	2021
Profit/(loss) before income taxes		377	641
Adjustments for:			
Reversal impairment/(impairment) investments in subsidiaries		(219)	(524)
Share-based payments		3	3
Dividend income		(200)	(200)
Interest and similar income		0	(0)
Interest and similar expenses		8	9
Investment income		(192)	(191)
Pension liabilities		113	54
Other provisions		(0)	0
Changes in provisions		112	54
Changes in working capital		(2)	0
Cash used in operations		80	(17)
Interest paid		(6)	(6)
Income taxes received/(paid)		25	(101)
Net cash (used in)/from operating activities	6.3.1	99	(124)
Dividend received		200	200
Changes in accounts receivable from Group companies		(299)	37
Net cash (used in)/from investing activities	6.3.2	(99)	237

Year ended at 31 December	Notes	2020	2021
Dividends paid		0	(113)
Net cash (used in)/from financing activities	6.3.3	0	(113)
Total change in cash and cash equivalents		(0)	(0)
Cash and cash equivalents at the beginning of the year		0	0
Total change in cash and cash equivalents		(0)	(0)
Cash and cash equivalents at the end of the year		0	0

PostNL N.V. Corporate statement of changes in equity in € million

2020, 2021

	Issued share capital	Additional paid-in capital	Revaluation reserve investments in subsidiaries	Other reserves	Retained earnings	Total shareholders' equity
Balance at 1 January 2020	40	160	1,759	602	(432)	2,129
Total comprehensive income				25	388	413
Appropriation of net income				(432)	432	0
Share-based compensation	0	1		2		3
Addition revaluation reserve			219	(219)		0
Balance at 31 December 2020	40	161	1,978	(22)	388	2,546
Total comprehensive income				54	662	715
Appropriation of net income				305	(305)	0
Final dividend previous year	1	(1)			(84)	(84)
Interim dividend current year	0	(0)			(29)	(29)
Share-based compensation	0	3		(0)		3
Addition revaluation reserve			524	(524)		0
Balance at 31 December 2021	41	163	2,502	(188)	632	3,151

Section 6: Corporate financial statements

6.1 Basis of preparation

General information and description of the business

PostNL N.V. (hereafter referred to as 'the company') is a public limited liability company with its registered seat and head office at Waldorpstraat 3, 2521 CA, The Hague, the Netherlands. The Chamber of Commerce number is 27124700.

The company's principal activity is acting as a holding company for the Group companies of the PostNL Group ('the Group') that provide businesses and consumers in the Benelux with an extensive range of services for their mail needs. Through our international sales network Spring, we connect local businesses around the world to consumers globally. The company is the ultimate parent company of the Group.

The corporate financial statements were authorised for issue by PostNL's Board of Management and Supervisory Board on 28 February 2022 and are subject to adoption at the Annual General Meeting of Shareholders on 19 April 2022.

Summary of significant accounting policies

The significant accounting policies applied in the preparation of these corporate financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. All amounts included in the financial statements are presented in euros, unless stated otherwise. Note that the numbers presented in the financial statements and disclosures thereto may not sum precisely to the totals provided and percentages may not precisely reflect the absolute figures due to rounding.

Accounting principles applied

The corporate financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and Dutch law. IFRS-EU includes the application of International Accounting Standards (IAS), related interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and interpretations of the Standing Interpretations Committee (SIC), issued and effective, or issued and adopted early, as at 31 December 2021.

Basis of measurement

In the corporate financial statements, the same accounting principles have been applied as set out in the notes to the consolidated financial statements, except for the valuation of the

investments as presented under financial fixed assets in the corporate financial statements. These policies have been consistently applied to all years presented.

In the corporate financial statements, the investments in subsidiaries are recorded at cost less impairments (deemed cost upon adoption of IFRS-EU). In the corporate statement of income, dividend received from the investments is recorded as dividend income. Due to this application, the corporate equity and net result are not equal to the consolidated equity and net result. A reconciliation for total shareholders' equity and total comprehensive income is presented in note 6.5 to the corporate financial statements.

Changes in accounting policies and disclosures

For new and amended standards we refer to the descriptions included in the 'Changes in accounting policies and disclosures' in the notes to the consolidated financial statements. The company has assessed the impact on the corporate financial statements. None of these is expected to have a significant effect on the corporate financial statements.

Functional and presentation currency

The corporate financial statements are presented in euros, the company's functional currency.

Use of estimates and judgements

The preparation of the corporate financial statements in conformity with IFRS-EU requires management to exercise judgements and make estimates and assumptions that affect the application of the company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the corporate financial statements are disclosed in the note 'Critical accounting estimates and judgements' to the consolidated financial statements.

Key accounting estimates and judgements affecting the assessment and measurement of impairment are included in note 6.4.1 to the corporate financial statements.

Share-based payments

PostNL operates a number of equity-settled share-based compensation plans, under which the entity receives services from employees as consideration for (conditional) shares of the Group. For the company's accounting policies on equity-settled share-based compensation plans, we refer to note 5.1 of the consolidated financial statements.

Dividend distribution

Dividend distribution to the company's shareholders is recognised as a liability in the corporate financial statements, in the period in which the dividends are approved by the company's shareholders.

6.2 Result for the year

6.2.1 Dividend income

Dividend income is recognised when the right to receive payment is established. The dividend income from the company's subsidiaries for 2021 was €200 million (2020: €200 million).

6.2.2 Impairment investments in subsidiaries

In 2021, an impairment reversal of €524 million on the company's investments in subsidiaries was accounted for (2020: impairment reversal of €219 million). Reference is made to note 6.4.1 to the corporate financial statements.

6.2.3 Salaries, pensions and social security contributions

In 2021, salaries, pensions and social security contributions amounted to €74 million (2020: €35 million). In accordance with IAS 19.41, the net defined benefit cost for the company's pension plans shall be recognised in the corporate financial statements. For PostNL, the contributions charged to other Group companies were lower than the pension expense incurred, resulting in a negative amount of salaries, pensions and social security contributions over the year. For further information on defined benefit pension costs, see note 6.4.2 to the corporate financial statements. PostNL N.V. does not have any employees other than the Board of Management.

6.2.4 Net financial expense/(income)

PostNL has financing relationships with both external banks and with PostNL companies, mainly with PostNL Finance BV. As a result, PostNL records both external interest income and expenses from financial institutions and from PostNL Finance BV.

PostNL N.V. Net financial expense/(income) in € million

2020, 2021

Year ended at 31 December	2020	2021
Interest expenses on long-term borrowings	7	7
Interest on net defined benefit pension liabilities	1	1
Other interest and similar expense	0	2
Interest and similar expense	8	9
Other interest and similar income	0	0
Net financial expense/(income)	8	9

Interest expenses on long-term borrowings relate to the outstanding eurobonds. Reference is made to note 4.1 to the consolidated financial statements.

6.2.5 Income taxes

Accounting policies

The company is tax-resident in the Netherlands. The tax expense for the year comprises current and deferred tax. Tax is recognised in the statement of income, except to the extent that it relates to items recognised directly in other comprehensive income.

The amount of income tax included in the statement of income is determined in accordance with the rules established by the tax authorities in the Netherlands, based on which income taxes are payable or recoverable.

PostNL N.V. Corporate income taxes in € million

2020, 2021

Year ended at 31 December	2020	2021
Current tax expense	(0)	(6)
Changes in deferred taxes	(11)	(15)
Total income tax expense/(income)	(11)	(21)
Income taxes paid/(received)	(25)	101

The difference between the total income taxes in the income statement and the current tax expense is due to temporary differences. These differences are recognised as deferred tax assets or deferred tax liabilities. In 2021, the change in deferred taxes also includes an amount of €(18) million (2020: €(8) million) via other comprehensive income fully related to taxes on OCI from pensions.

PostNL N.V. Corporate effective income tax rate in € million

2020, 2021

Year ended at 31 December	2020	2021
Dutch statutory income tax rate	25.0	25.0
Tax effects of:		
Non taxable impairment reversal	(14.5)	(20.4)
Exempt income	(13.2)	(7.8)
Other	(0.2)	(0.1)
Effective income tax rate	(2.9)	(3.3)

In 2021, the income taxes of €(21) million (2020: €(11) million) on the result before income taxes of €641 million (2020: €377 million), resulted in an effective income tax rate of (3.3)% (2020: (2.9)%). Adjusted for the tax-exempt dividend income of €200 million (2020: €200 million) and the non taxable impairment reversal of €524 million (2020: non taxable impairment reversal of €219 million), the result before income taxes would have been €(83) million (2020: €(42) million), which with income taxes unchanged at €(21) million (2020: €(11) million) would have resulted in an effective income tax rate of 25.1% (2020: 26.6%).

Deferred tax assets and liabilities are presented net in the balance sheet if the company has a legally enforceable right to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxation authority. Based on this reporting principle, the deferred tax assets as at 31 December 2021 amounts to €0 million (2020: €3 million).

6.3 Cash flow performance and equity development**6.3.1 Net cash (used in)/from operating activities**

The decrease in net cash from operating activities from €99 million in 2020 to €(124) million in 2021 mainly related to the change in pension liabilities and income taxes paid. In 2020, the company received €80 million from its subsidiaries relating to the final payment of the transitional pension plans, which will be paid in 5 equal instalments during the years 2021 – 2025. In 2021, the first instalment of €16 million was paid. In 2021, the total cash outflow for interest paid of €6 million (2020: €6 million) mainly related to interest on PostNL's long-term borrowings. In 2021, the company paid income taxes totalling €101 million (2020: €25 million received) which include settlements relating to prior years and internal settlements with Group companies within the PostNL fiscal unity.

6.3.2 Net cash (used in)/from investing activities

In 2021, net cash from investing activities amounted to €237 million (2020: €(99) million) and related to dividend received from the company's subsidiaries of €200 million (2020: €200 million) and changes in accounts receivable from Group companies of €37 million (2020: €(299) million), mainly related to an intercompany receivable from PostNL Finance B.V.

6.3.3 Net cash (used in)/from financing activities

In 2021, the net cash from financing activities amounted to €(113) million (2020: €0 million) and related to the final 2020 and interim 2021 cash dividend paid.

6.3.4 Equity

As at 31 December 2021, equity amounts to €3,151 million (2020: €2,546 million). For the disclosure on issued share capital and additional paid-in capital, see notes 2.4 and 4.6 to the consolidated financial statements.

The revaluation reserve investments in subsidiaries is a legal reserve and is restricted for distribution.

As at 31 December 2021, the revaluation reserve of €2,502 million (2020: €1,978 million) related to the applied deemed cost approach for the investments in subsidiaries as of 1 January 2010, partly offset by the net recorded impairment charges of €80 million.

During 2021, the other reserves decreased to €(188) million from €(22) million, mainly due to a reclassification to the revaluation reserve of €524 million, partly offset by the appropriation of net income for 2020 of €305 million and a positive pension effect within other comprehensive income of €54 million.

6.4 Corporate statement of financial position

6.4.1 Investments in subsidiaries

Accounting policies

Investments in subsidiaries and associated companies

Investments in subsidiaries and associated companies are stated at cost, less impairment. Dividend income from the company's subsidiaries and associated companies is recognised when the right to receive payment is established.

Impairment of investments in subsidiaries

At each balance sheet date, the company reviews whether there is an indication that its investments in subsidiaries might be impaired.

An indication may include management's downward adjustment of the strategic plan or other areas where observable data indicates a measurable decrease in the estimated future cash flows. These determinations require significant judgement. In making this judgement, management evaluates, among other factors, the financial performance of and business outlook for its investments, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

If any indication for impairment exists, the recoverable amount of the investments is estimated. The recoverable amount is defined as the higher of an investment's fair value less costs of disposal and its value in use. If the recoverable amount of an investment is estimated to be less than its carrying amount, the carrying amount of the investment is reduced to its recoverable amount. Any impairment loss is recognised immediately in the statement of income.

The investments' fair value less costs of disposal represents the best estimate of the amount the company would receive if it sold its investments. The fair value of each

investment has been estimated on the basis of the present value of future cash flows, taking into account costs of disposal. The determination of the investment's value in use is based on calculations using pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using estimated growth rates.

Impairment losses recognised in prior periods shall be reversed only if there has been a change in the estimates or external market information used to determine the investment's recoverable amount since the last impairment loss was recognised. The recoverable amount shall not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years.

The movement in the investments in subsidiaries is as follows:

PostNL N.V. Investments in subsidiaries in € million

2020, 2021

	2020	2021
Balance at 1 January	2,783	3,002
Reversal impairment/(impairment)	219	524
Balance at 31 December	3,002	3,526

The subsidiary undertakings of the company as at 31 December 2021, and the company's percentage interest, are set out below.

PostNL N.V. Breakdown corporate investments

2021

Name of direct subsidiary	Country of incorporation	Ownership %
PostNL Holding B.V.	Netherlands	100%

A complete list of investments in subsidiaries, associated companies and jointly-controlled entities will be attached to the company's Annual Report made available to the Chamber of Commerce.

A detailed review has been performed of the recoverability of the investments in subsidiaries. The recoverable value of each investment is the higher of the value in use and fair value less costs of disposal. The recoverable value is determined based on the fair value less costs of disposal as this was higher than the value in use at year end 2021. The fair value less costs of disposal has been estimated on the basis of the present value of future cash flows, taking into account costs of disposal. For all investments, the estimated future cash flows are based on a five-year (2020: five-year) forecast and business plan, which forecast period has been assessed as adequate to reach a sustainable basis for the calculation of the continuing value.

The estimated future cash flows are derived from the most recent strategic planning approved by management, including inherent uncertainties like future volume developments, efficiency measures and the impact of regulatory decisions and developments. The company has determined the budgeted gross margin based on past performance and its expectations for market development. The weighted average growth rates used are consistent with the forecasts included in industry reports for the related operation and market and did not change materially compared to previous year. The pre-tax discount rates in the investments' valuations varies around 10.0% (2020: around 10.0%).

Key assumptions used to determine the recoverable values for the investments of the company are the following:

- maturity of the underlying market, market share and volume development in order to determine the revenue mix and (long-term) growth rate,
- level of operating income largely impacted by revenue and cost development, taking into account the nature of the underlying costs and potential economies of scale,
- level of capital expenditure in network-related assets, and
- discount rate to be applied following the nature of the underlying cash flows and foreign currency and inflation-related risks.

As the investments in subsidiaries are vulnerable to changes in the discount rate and changes in operating income, a sensitivity analysis has been performed for the investments. The sensitivity analysis included the impact of the following items which are considered to be most critical when determining the recoverable value:

- an increase or decrease in the discount rate of 0.5%, and
- an increase or decrease in operating income of 5%.

If the discount rate were to change by 0.5%, this would impact the investments in subsidiaries by around €280 million (2020: €190 million). A change in operating income of 5% would impact the investments in subsidiaries by around €185 million (2020: €90 million).

The detailed review of the value of the investments in subsidiaries resulted in the recoverable value being €524 million higher than their carrying value. The recoverable value of the continuing operations was derived from the 2021 strategic planning, taking into account uncertainties relating to volume and margin developments, in the short term positively impacted by covid-19, efficiency measures and investments necessary to advance and keep up with market dynamics, among others related to our Digital Next initiatives, and the impact of regulation within Mail in the Netherlands. 2021's business performance and strict working capital management contributed positively to this increase in value. Based on the detailed review, management concluded that an impairment reversal of €524 million was present for the investments in subsidiaries. Consequently, management recorded an impairment reversal of €524 million in 2021 (2020: impairment reversal of €219 million). Within equity, the revaluation reserve associated with the initial revaluation of the investments in subsidiaries has been increased by the impairment reversal amount.

6.4.2 Provisions for pension liabilities

Accounting policies

For the accounting policies on pension liabilities, reference is made to note 3.5 to the consolidated financial statements.

The company is the sponsoring employer of the main Dutch pension plan, which is externally funded in a separate pension fund and cover the majority of PostNL's employees in the Netherlands.

In accordance with IAS 19.41, PostNL recognises the net defined benefit cost in the corporate financial statements of the company. The relevant Group companies recognise the costs equal to the contributions payable for the period in their financial statements. In its corporate financial statements, PostNL recognises the contributions received from the relevant Group companies as a benefit that offsets the defined benefit pension expense. The impact of the contributions is represented as participant contributions in the following table.

For the company, the contributions received from the relevant Group companies for a large part offset the pension expense. As a result, the corporate financial statements record a defined benefit pension expense of €73 million (2020: €33 million), whereas the consolidated financial statements record defined benefit pension expenses of €150 million (2020: €135 million).

The following table reconciles the opening and closing balances of the present value of the defined benefit obligation and the fair value of plan assets, the funded status and the employer pension income for the sponsored pension plan of the company.

PostNL N.V. Detailed overview of changes in corporate defined benefit plans in € million

2020, 2021

	2020	2021
Change in benefit obligation		
Benefit obligation at beginning of year	(9,367)	(10,226)
Service costs	(134)	(160)
Interest costs	(86)	(31)
Other movements	(287)	(2)
Actuarial (losses)/gains	(588)	44
Benefits paid	237	248
Benefit obligation at end of year	(10,226)	(10,126)
Change in plan assets		
Fair value of plan assets at beginning of year	9,507	10,225
Assumed return on plan assets	86	31
Other movements	307	1
Participants contributions	91	98
Employer contributions	0	2
Instalment unconditional funding obligation		16
Deferred payment transitional plans	(80)	
Other costs	(9)	(10)
Actuarial (losses)/gains	559	763
Benefits paid	(237)	(248)
Fair value of plan assets at end of year	10,225	10,878
Change in funded status		
Funded status at the beginning of year	140	(0)
Operating expenses (incl. participants contributions)	(32)	(72)
Interest (expenses)/income	1	(0)
Employer contributions	0	18
Deferred payment transitional plans	(80)	
Actuarial (losses)/gains	(29)	807

	2020	2021
Funded status at end of year	(0)	752
Impact of pension asset ceiling		(752)
Impact of minimum funding requirement	(80)	(64)
Netted pension liabilities	(81)	(64)
Components of employer pension expenses		
Service costs	(134)	(160)
Interest (expenses)/income	(1)	(1)
Other costs	11	(10)
Participants contributions	91	98
Post-employment benefit income/(expenses)	(33)	(73)
Weighted average assumptions as at 31 December		
Discount rate	0.3%	1.0%
Rate of benefit increases	0.8%	1.5%
Life expectancy 65 year old men/women (in years)	21.0/23.0	21.1/23.4

6.4.3 Accounts receivable from Group companies

As at 31 December 2021, accounts receivable from Group companies amounted to €286 million (2020: €323 million) which related to a receivable from PostNL Finance B.V. The fair value of the accounts receivable from and payable to Group companies approximated the carrying value, due to the short-term nature. The allowance for expected credit losses has been assessed to be non-material.

6.4.4 Eurobonds

As at 31 December 2021, the eurobonds amounted to €697 million non-current (2020: €696 million). For the disclosure on the eurobonds, reference is made to notes 4.1 and 4.5 to the consolidated financial statements.

In 2021, the non-cash changes in the total debt amounted to €1 million (2020: €1 million) and related to the amortisation of costs included in the eurobonds.

6.5 Other notes

Reconciliation corporate and consolidated equity and comprehensive income

PostNL N.V. Consolidated to corporate equity and total comprehensive income in € million

2020, 2021

Year ended at 31 December	2020		2021	
	Equity	Income	Equity	Income
Consolidated: Equity and total comprehensive income	211	217	426	257
Reconciliation items previous years	2,162		2,335	
Reversal impairment/(impairment) investments in subsidiaries	219	219	524	524
Results from investments	(47)	(47)	(119)	(119)
Other comprehensive income (CTA/hedges/pensions)	1		(14)	
Total reconciliation items	2,335	172	2,725	405
Corporate: Shareholders' equity and total comprehensive income	2,546	388	3,151	662

The differences between total shareholders' equity and total comprehensive income according to the IFRS-EU consolidated financial statements and the corporate financial statements under IFRS-EU in general relate to the accounting of the investments in subsidiaries at cost less impairments (deemed cost upon adoption of IFRS-EU) in the corporate financial statements and subsequent (reversal of) impairments.

The reconciling items for equity and income are further detailed below.

Reconciliation items

The 'reconciliation items previous years' of €2,326 million in 2021 relate to the difference between the consolidated equity as at 31 December 2020 of €211 million and the corporate equity of €2,546 million at that date.

For details of the reversal of the impairment of the investments in subsidiaries recognised in the corporate financial statements in 2021, see note 6.4.1 to the corporate financial statements.

The 2021 results from investments were €119 million lower in the corporate financial statements and can be calculated from the result from the corporate income statement of €662 million, minus the reversal of the impairment of the investments in subsidiaries of €524 million, minus the result from the consolidated income statement of €257 million. The difference relates to the difference between the dividend income and the result from the investments in subsidiaries. The 2020 results from investments were €47 million lower in the corporate financial statements and can be calculated from the result from the corporate income statement of €388 million, minus the reversal of the impairment of the investments in subsidiaries of €219 million, minus the result from the consolidated income statement of €217 million (and rounding). The difference relates to the difference between the dividend income and the result from the investments in subsidiaries.

The reconciliation item 'Other comprehensive income' represents hedge and currency translation adjustments and adjustments for actuarial gains/(losses) which were recognised in the consolidated financial statements but not in the corporate financial statements as the investments are stated at cost. It also represents other comprehensive income from the change in value of financial assets at fair value through OCI that was recognised in the consolidated financial statements but not in the corporate financial statements.

The 2021 difference in other comprehensive income of €(14) million included €1 million of actuarial losses on pensions, €12 million of the change in value of financial assets at fair value through OCI and €1 million other items. The 2020 difference in other comprehensive income of €1 million included €0 million of actuarial losses on pensions and €(1) million other items.

Commitments and contingencies

Declaration of joint and several liability

At 31 December 2021, the company issued a declaration of joint and several liability for some of its Group companies in compliance with article 403, book 2 of the Dutch Civil Code. Those Group companies are:

PostNL N.V. Declaration of joint and several liability

2021

DM Productions B.V.	PostNL E-commerce Services B.V.
G3 Worldwide Mail N.V.	PostNL Finance B.V.
Koninklijke PostNL B.V.	PostNL Holding B.V.
Logistics Solutions B.V.	PostNL Pakketten Benelux B.V.
PostNL Cross Border Solutions B.V.	PostNL Real Estate B.V.
PostNL Customer Excellence B.V.	PostNL TGN B.V.
PostNL Data Solutions B.V.	PostNL Transport B.V.

Fiscal unity in the Netherlands

The company forms a fiscal unity with a majority of its Dutch subsidiaries for corporate income tax and VAT purposes. A company and its subsidiaries that are part of these fiscal unities are jointly and severally liable for the tax payable by these fiscal unities.

Parental support

In addition to the declaration of joint and several liability in compliance with article 403, book 2 of the Dutch Civil Code, the company provided parental support relating to the following items:

- committed revolving credit facilities of €200 million;
- bank guarantee facilities of €75 million;
- ordinary business activities of the Group of €88 million;
- ISDA agreements;
- payment guarantee for self-insurance of WGA ("Werkhervatting Gedeeltelijk Arbeidsgeschikten") benefit payments as of 1 January 2021.

Separation agreement TNT Express

For details on the separation agreement with TNT Express, see note 3.10 to the consolidated financial statements.

Financial risk management

For disclosure on the company's overall financial risk management programme, reference is made to note 4.4 to the consolidated financial statements.

Financial instruments

For a summary of the company's financial instruments relevant to these corporate financial statements, reference is made to note 4.5 to the consolidated financial statements.

Related party transactions and balances

The company's shares are widely held. As such, no ultimate controlling party can be identified. The company, acting as a holding company, has relationships with a number of Group companies. In some cases, there are contractual arrangements in place under which the company sources supplies from such undertakings or such undertakings source supplies from the company. Transactions are in principle carried out at arm's length.

PostNL N.V. Related party transactions in € million

2020, 2021

Year ended at 31 December	2020		2021	
	Transactions	Balances	Transactions	Balances
Dividend income PostNL Group companies	200		200	
Accounts receivable from PostNL Group companies/ interest income	0	323	0	286
Accounts payable to PostNL Group companies/ interest expense	(0)	0	(1)	1
Net investing activities from accounts receivable from Group companies	(299)		37	
Income tax received from/(paid to) PostNL Group companies	33		(30)	

For the compensation of the members of the Board of Management and Supervisory Board, see note 5.1 to the consolidated financial statements.

Subsequent events

For disclosure on subsequent events, reference is made to note 5.5 to the consolidated financial statements.

Subsidiaries and associated companies at 31 December 2021

The list containing the information referred to in article 379 and article 414 of book 2 of the Dutch Civil Code is filed at the office of the Chamber of Commerce in The Hague.

Appropriation of profit

Dividend proposal 2021

In accordance with our dividend policy, the condition for paying out dividend is a leverage ratio (adjusted net debt/EBITDA) not exceeding 2.0. This condition was met per year-end 2021 (leverage ratio: 0.4). The Board of Management has decided, with the approval of the Supervisory Board, subject to shareholders approval at the 2021 Annual General Meeting of Shareholders, to declare a dividend of €0.42 per ordinary share over 2021, of which €0.10 per ordinary share has been paid as an interim dividend. The dividend will be paid, at shareholder's election, either in ordinary PostNL shares or in cash.

Appropriation of profit

The Board of Management, with the approval of the Supervisory Board, has appropriated an amount of €468 million out of corporate profit of €662 million to the reserves. For detailed information on PostNL's corporate performance, and the resulting profit, refer to the 'Financial statements, section 6: Corporate financial statements' chapter.

Following this appropriation, there remains an amount of €194 million out of corporate profit at the disposal of the General Meeting of Shareholders. Subject to the adoption of PostNL's financial statements by the General Meeting of Shareholders, and given a 2021 interim dividend of €0.10 has been paid, the proposed 2021 final dividend has been set at €0.32 per ordinary share of €0.08 nominal value, based on the outstanding number of 513,252,013 ordinary shares as per 31 December 2021. The final dividend of €0.32 will be paid, at shareholder's election, either in ordinary PostNL shares or in cash. The dividend in shares will be paid out of additional paid in capital as part of the distributable reserves, free of withholding tax in the Netherlands.

The ex-dividend date will be 21 April 2022, the record date is 22 April 2022 and the election period will start on 25 April 2022 and will end on 10 May 2022 at 3PM CET. The conversion ratio will be based on the volume-weighted average share price for all PostNL shares traded on Euronext Amsterdam over the three trading day period from 8 May 2022 up to and including 10 May 2022. The value of the stock dividend, based on this VWAP, will, subject to rounding, be targeted at but not be lower than the cash dividend. There will be no trading in stock dividend rights. The dividend will be payable as of 12 May 2022.

Upon approval of this proposal, corporate profit will be appropriated as follows, whereby the final dividend represents a cash dividend under the assumption of 100% cash election.

PostNL N.V. Appropriation of corporate profit in € million

2021

	2021
Result attributable to the shareholders	662
Appropriation in accordance with the articles of association:	
Reserves adopted by the Board of Management and approved by the Supervisory Board (article 31, paragraph 2)	(468)
Dividend on ordinary shares	194
(Interim) dividend paid in cash	(29)
Final dividend	164

The Hague, the Netherlands, 28 February 2022

Board of Management

Herna Verhagen (CEO)

Pim Berendsen (CFO)

Supervisory Board

Jan Nooitgedagt (Chairman)

Jeroen Hoencamp

Marike van Lier Lels

Nienke Meijer

Ad Melkert

Koos Timmermans

PostNL N.V.

Waldorpstraat 3

2521 CA The Hague

The Netherlands

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Non-financial performance indicators

PostNL Customer value performance indicators as indicated

2017 - 2021

Year ended at 31 December	Notes	2017	2018	2019	2020	2021
Key performance indicators						
Share of highly satisfied customers	2.1	41%	30%	27%	37%	34%
Share of satisfied customers	2.1	85%	82%	80%	83%	83%
Parcel volume growth	2.2	17%	22%	12%	19%	14%
Delivery quality Parcels in the Netherlands	2.3	99%	98%	98%	99%	98%
Delivery quality Mail in the Netherlands (preliminary)	2.3	95%	95%	94%	94%	94%
Other performance indicators						
Reputation score (on a 0-100 scale)	2.4	69.7	67.7	67.1	73.9	71.6
ISO 9001 certification (percentage of total FTE working in certified sites)	2	100%	100%	100%	100%	100%

PostNL Social value performance indicators as indicated

2017 - 2021

Year ended at 31 December	Notes	2017	2018	2019	2020	2021
Key performance indicators						
Share of engaged employees	3.1	not comparable	not comparable	76%	84%	84%
Absenteeism (share of total working days)	3.2	5.2%	5.9%	5.4%	5.9%	6.0%
Other performance indicators						
Headcount (scope of non-financial reporting)	3.3	38,965	37,785	35,721	40,541	37,365
Fulltime equivalents (scope of non-financial reporting)	3.3	20,791	20,421	20,528	22,304	21,964
Share of females in total headcount	3.4	50%	49%	48%	49%	48%
Share of females in operational management positions	3.4	not reported	not reported	not reported	21%	23%
Share of females in middle management positions	3.4	not reported	not reported	not reported	32%	33%
Share of females in senior management positions	3.4	not reported	25%	27%	28%	29%
Share of females in management positions	3.4	26%	27%	27%	28%	30%
Training hours per FTE	3.5	17	22	26	21	21
Average training costs in € per FTE	3.5	not reported	not reported	not reported	740	781
Fatal accidents	3.2	1	2	3	1	2
Recordable accidents (per 100 FTE)	3.2	not reported	4.7	4.2	4.0	4.7
ISO 45001 certification (percentage of total FTE working in certified sites)	3.2	99%	99%	99%	98%	98%

PostNL Environmental value performance indicators as indicated

2017 - 2021

Year ended at 31 December	Notes	2017	2018	2019	2020	2021
Key performance indicators						
CO ₂ efficiency (in grammes per km)	4.1	226	231	245	249	203
Share of emission-free delivery of mail and parcels in the last-mile	4.1	not reported	17%	19%	20%	20%
Other performance indicators						
Scope 1 GHG emissions (gross in ktCO ₂ e)	4.2	37	38	41	41	34
Scope 2 GHG emissions (gross in ktCO ₂ e)	4.2	0	0	0	0	0
Scope 3 GHG emissions (gross in ktCO ₂ e)	4.2	211	194	187	199	210
Total GHG emissions (gross in ktCO₂e)	4.2	249	232	229	240	244
Energy consumption (total scope 1 and 2 in TJ)	4.3	894	939	932	1,032	1,030
Energy efficiency buildings (TJ / 1,000 m ²)	4.4	0.51	0.58	0.47	0.47	0.40
Energy efficiency fleet (TJ / million km)	4.5	5.3	5.5	5.6	5.8	5.8
NO _x emissions (scope 1 in kg)	4.6	37,668	35,935	39,282	43,202	39,966
NO _x emissions (scope 1 in g/km)	4.6	0.46	0.43	0.42	0.42	0.37
PM ₁₀ emissions (scope 1 in kg)	4.6	628	651	734	825	839
PM ₁₀ emissions (scope 1 in g/km)	4.6	0.01	0.01	0.01	0.01	0.01
Share of vehicles complying with Euro 6	4.6	48%	76%	80%	84%	95%
Share of vehicles complying with Euro 5	4.6	52%	24%	20%	16%	5%
ISO 14001 certification (percentage of total FTE working in certified sites)	4.7	100%	100%	100%	100%	100%

Section 1: Basis of preparation

1.1 Reporting principles

Long-term value creation requires companies to steer both on the financial and non-financial aspects of business. Certain non-financial aspects contribute directly or indirectly to financial performance, and often have a greater impact over the medium to long term. At PostNL, we believe that an integrated approach towards performance management is key to ensuring the company creates stakeholder value in the long run.

Integrated Reporting as guidance

The Integrated Reporting framework of the International Integrated Reporting Council (IIRC) provides guidance on how companies should communicate about value creation. PostNL used the guiding principles and main content elements of the framework as a basis for this Annual Report. PostNL aims to further develop its corporate reporting communication about long-term value creation.

Sustainability Reporting Standards applied

PostNL prepared the non-financial information in this Annual Report in accordance with the core option of the Sustainability Reporting Standards of the Global Reporting Initiative (GRI). The GRI standards provide relevant and clear requirements for sustainability reporting on economic, social and environmental aspects, while allowing for company-specific aspects to be reported. PostNL decided to report in accordance with the core option of GRI because not all specific disclosures on material GRI topics, which are reporting requirements in the comprehensive option, are material in respect of this Annual Report.

In addition to the GRI requirements, we apply supplemental reporting criteria specific to PostNL for reporting elements which are not covered by GRI. This includes specific reporting definitions as presented in the Appendix 'Glossary and definitions'.

Commitment to UN Global Compact

As a UN Global Compact signatory since 2012, PostNL reports its progress of implementing the ten UN Global Compact principles annually through an online submission. These are related to human rights, labour, environment and anti-corruption. The Appendix 'UN Global Compact reference table' provides an overview of the ten principles, and references to the descriptions of progress on those principles, in this Annual Report.

OECD guidelines

In relation to our international activities, we endorse the guidelines for multinational enterprises on responsible business conduct published by the Organisation for Economic Co-operation and Development (OECD). These non-binding guidelines provide recommendations in a global context consistent with laws and internationally-recognised standards.

Contributing to the SDGs

The Sustainable Development Goals are a call to action by the United Nations (UN) to make progress on 17 global challenges in relation to peace and prosperity for people and planet. While the goals are agreed at government level, the call to action also applies to businesses. The SDGs are interrelated and relevant for PostNL, as we have an impact on all 17, both through our own operations and/or indirectly through our value chain. We take action on all SDGs, and apply a focused approach at group level. This helps us improve the contribution on those SDGs closest to the business activities of our company.

Based on SDG impact analysis and dialogue with our stakeholders, we identified and focus on four main SDGs. We connected our contribution to these SDGs with the long-term value creation process as described in our value creation model. The most direct impact of our business operations related to SDG8 and SDG13. On SDG9 and SDG12 we look beyond our own operations and proactively engage with partners in our value chain to make progress.



We distinguish our impact between doing good (improving our positive impact) and avoiding harm (mitigating negative impact). For each SDG, we mapped the relevant PostNL topics to the related SDG sub goals to provide insight into where our contribution to the SDGs is to do good and where to avoid harm. The SDGs and sub goals (or sub targets as defined by the UN) are described qualitatively. We link the SDGs to our strategy through our key material topics and other relevant topics from our Materiality matrix. We defined performance indicators on all our key material topics.

SDG 8: Decent work and economic growth

PostNL goal

Provide decent work conditions for our people, contribute to e-commerce growth, grow profitably and maintain an accessible, reliable and affordable postal service.

Our approach

We provide direct and indirect employment to more than 53,000 people. The health and safety of people working with and for us is our first priority (SDG 8.8). Our efforts in safeguarding road safety contributes to good health and well being (SDG 3.6). Safety also includes mental safety, which is why we focus on diversity and inclusion in our human resources policy. This is linked to reducing inequalities (SDG 10.2). We want to be a good employer with favourable working practices. During the pandemic in 2021 our priority was the health and safety of our people (SDG 3). This also includes fair compensation (SDG 8.5), helping our people to develop themselves (contributing to quality education (SDG 4.3 and 4.5)) and gender equality (SDG 5.5).

Our strategy is based on continuous growth. As a logistics and postal service provider, we contribute to the economic growth in both the regions and value chains we operate in (SDG 8.1). Alongside this growth, we want to remain relevant by becoming more effective across our business and accelerate digitalisation to support this. We also want to transform through innovation (linked to SDG 9.5) towards greater integration in the ecosystems we are part of (SDG 8.2).

SDG 9: Industry, innovation and infrastructure

PostNL goal

We need to provide accessible, reliable postal services in the Netherlands as the dedicated postal operator. At the same time, we are continually developing our parcels network to capture growth effectively. We want to maintain and strengthen our state-of-the-art networks, which requires innovation and collaboration with business partners to develop the right infrastructure.

Our approach

We are investing significantly in our network infrastructure, digitalisation and sustainability to further improve our core logistics (SDG 9.4). At the same time, we drive innovation through digitalisation to become a logistics market player more integrated with the ecosystems we are part of. Collaboration with our value chain partners on innovation is crucial for our long-term success (SDG 9.5). Improving our services and processes through re-designs based on customer journeys is one example. Developing new ways of working based on technology is another, which can be seen in our small parcel sorting centre. This sorting centre is using technology through

robotisation to develop new processes that benefit PostNL and our customers. We are dependent on technological developments and other business partners to design and implement new ways of working, such as the transition to an electric fleet. For example, using solar panels as an energy source for our sorting centres is one area in which innovation and infrastructure helps us make a positive impact on affordable and clean energy (linked to SDG 7.2). And our sustainable city logistics programme is helping us lower emissions while minimising traffic nuisance to improve accessibility in cities (linked to SDG 11.2).

SDG12: Responsible production and consumption

PostNL goal

We want to reduce our ecological footprint by changing the way goods and resources are produced and consumed in collaboration with others within our value chain.

Our approach

We engage with partners in our value chain to promote more sustainable alternatives, such as smaller, more sustainable packaging. This includes a more efficient use of natural resources, and minimising pollution/waste to air, land and water, which relates to environmental aspects (linked to SDG 11.6) and health and well being of people (linked to SDG 3.9). At the same time, we are becoming ever-more transparent about our direct and indirect environmental impact, and take actions to make our procurement practices compliant with legal requirements and our own policy. Waste management forms part of our certified environmental management system and is bound to (local) regulations. As well as reducing or treating our own waste in the best ways possible, we also engage with suppliers and customers about the topic, such as in relation to sustainable packaging. Our purchasing department aims to add two purchased goods per year that are made of circular resources. And in a bid to move closer to a circular economy, we are working with a number of e-tailers to collect and recycle e-waste.

SDG 13: Climate action

PostNL Goal

Improve our impact on climate change by implementing measures to reduce our greenhouse gas (GHG) emissions across all of our operations.

Our approach

We designed our emission-reduction targets to contribute to limiting global warming in line with the Paris Agreement on climate change. These targets are set to reduce direct and indirect GHG emissions from our own operations and outsourced activities (SDG13.2). Beyond our own climate action, we want to stimulate our logistics partners to decarbonise their activities for us by raising awareness and promoting active engagement. We have established long-term Science-Based Targets (SBT), approved by the SBT Initiative, to reduce our environmental footprint and drive sustainable growth of the business. Climate change impact goes beyond sustainable logistics at PostNL. With our targets and experience, we play an active role in engagement with our value chain partners on both climate change mitigation and adaptation through dialogues and partnerships on different levels (SDG 17.6).

EU directive on non-financial information

As a large listed company in the Netherlands, PostNL has to comply with the EU directive on non-financial information (2014/95/EU). PostNL is required to report about non-financial information in relation to environmental, social and personnel matters, in respect of human rights and combatting bribery and corruption. The mandatory disclosures include:

- Policies and results thereof;
- Main risks and how these are managed;
- Performance indicators, to the extent that these elements exist within PostNL.

Greenhouse Gas Protocol

PostNL uses the Greenhouse Gas (GHG) Protocol to report its greenhouse gas emissions. The production of direct and indirect CO₂ emissions represents the main GHG of PostNL. We also take other GHG emissions into account, such as CH₄ and N₂O, and report our climate change impact in CO₂ equivalents.

Aligning with Taskforce on Climate related Financial Disclosures (TCFD)

PostNL recognises that climate change events can have an impact on our company and business. For many years, PostNL has included the reduction of GHG emissions in its strategy. Since 2018, we externally disclose the alignment of our climate action approach to TCFD. We addressed all four TCFD reporting recommendation elements throughout this report.

PostNL TCFD reporting recommendation

TCFD reporting recommendation	TCFD element	Link to disclosures
• Governance	• Board oversight	• Chapter 'Corporate governance'
	• Role of management	
• Strategy	• Risks and opportunities	• Chapter 'Risk and opportunity management'
	• Impact of risks and opportunities	
	• Resilience of the organisation	
• Risk Management	• Processes for identifying and assessing risks	• Chapter 'Risk and opportunity management'
	• Processes for managing risks	
	• Integration into overall risk management	
• Targets	• Metrics used to assess	• Chapter 'Environmental value'
	• GHG Emissions	
	• Targets	

1.2 Reporting criteria

Explanation of reporting criteria used

The GRI standards provided a structured approach to prepare the non-financial information in this report. This includes universal disclosures and topic-specific disclosures. The universal disclosures consist of three key elements:

- a. Foundations: Defining report content & quality, requirements for preparing a report in accordance with GRI;
- b. General standard disclosures: Contextual information about PostNL, its strategy, governance and reporting practices and;
- c. Management approach: Information on how PostNL manages its key material topics.

PostNL uses the topic-specific disclosures to describe the company's impact related to each key material topic, expressed in key performance indicators. In addition, PostNL has also taken into account two important elements in relation to value creation as described by the IIRC:

- **Strategic focus/future orientation:** Information about the strategy and ability to create short-, medium- and long-term value and the ability to the use of and effect on the relevant capitals;
- **Connectivity:** Show a holistic picture of the combination, interrelatedness and dependencies between the factors that affect the organisation's ability to create value over time.

The GRI Content Index table in the Appendix 'GRI Content index' provides references to sections with specific information in relation to the GRI requirements in this report.

Description of reporting foundations

We follow the reporting foundations in line with the GRI standards. This includes engagement with stakeholders, putting sustainability data in context, assessing material topics and ensuring information in the report is complete.

Stakeholder engagement

PostNL's main stakeholder groups, including the main topics of engagement, are outlined in the chapter 'Our operating context'. We interact with a variety of stakeholders on a regular basis to understand their expectations, needs and interests. In addition to our day-to-day engagement, we also engage with them through stakeholder dialogues. Although there were restrictions in relation to the Covid-19 pandemic, we were able to organise our large stakeholder dialogue event in 2021 online. More information about the stakeholder dialogue is available in the chapter 'Our operating context'.

During the event we focused our discussions on topics where we want to have a proactive role in our value chain, climate change, human rights, and diversity and inclusion. Additionally, we use a materiality assessment to identify those topics that have the greatest influence on stakeholders' decisions, and which require management's strategic attention. In 2021, we used the matrix of the previous year as the basis for our update this year.

The following table details the topics of interest and the means of engagement with each stakeholder group.

PostNL Stakeholder engagement

Stakeholder clusters	Stakeholder groups	Most relevant topics	Our engagement
Financial market	<ul style="list-style-type: none"> a. Investors b. Capital providers c. Financial rating agencies d. Financial interest groups e. Sustainability benchmark agencies 	<ul style="list-style-type: none"> • Financial performance and position (a, b, c, d) • Return on capital investments • Short- and long-term value creation • ESG (a, b, d, e) 	<ul style="list-style-type: none"> • Meetings and conference calls with analysts and shareholders • Quarterly results and presentations
Customers	<ul style="list-style-type: none"> a. Business customers b. Consumers c. Internal customers (intercompany) 	<ul style="list-style-type: none"> • Quality of services • Use of retail locations • Network capacity (a, c) • Accessible and reliable postal services • Convenient sending and receiving options • Sustainable delivery options 	<ul style="list-style-type: none"> • Daily contact about services • Bi-annual customer satisfaction survey • Customer events and knowledge sessions • Annual stakeholder dialogue
Our people	<ul style="list-style-type: none"> a. Employees b. Trade unions c. Works councils 	<ul style="list-style-type: none"> • Safe and healthy work environment • Favourable working conditions • Development opportunities • Sustainable employability 	<ul style="list-style-type: none"> • Daily contact about day-to-day work • Regular team meetings and round table discussions • Regular contact with trade unions and works councils • Bi-annual employee engagement surveys • Annual survey satisfaction delivery partners at Parcels • Annual stakeholder dialogue
Government bodies	<ul style="list-style-type: none"> a. Policy makers (international, national and local) b. Regulators c. Politics 	<ul style="list-style-type: none"> • Regulatory environment (a,c) • Compliance with laws and regulations (b) • Market developments (a,c) 	<ul style="list-style-type: none"> • Round tables and meetings with (local) governments • Meetings and formal communication with regulators • Annual stakeholder dialogue
Business partners	<ul style="list-style-type: none"> a. Operational contract parties (e.g. delivery partners and employment agencies) b. Suppliers c. Retailers d. International postal companies e. Pension fund PostNL f. Branch organisations 	<ul style="list-style-type: none"> • Collaboration and tariffs (a, b, c, d, e) • Labour market and working conditions (a) • Procurement practices (b) • Business ethics (a-f) • Sector initiatives (f) 	<ul style="list-style-type: none"> • Ad hoc collaboration through projects • Tender processes • Periodic contract negotiations and supplier evaluations • Ad hoc engagement on ethical topics • Annual stakeholder dialogue
Media	<ul style="list-style-type: none"> a. Traditional media b. Social media 	<ul style="list-style-type: none"> • Business events • Opinions about PostNL 	<ul style="list-style-type: none"> • Periodic and ad hoc press releases • Interviews • Ad hoc engagement on social media
Opinion leaders and society	<ul style="list-style-type: none"> a. NGOs b. Local communities and their representatives c. Academic and research institutions 	<ul style="list-style-type: none"> • Environmental issues (a, b, c) • Social and societal issues (a, b, c) • Specific topics (e.g. Diversity, data and analytics) (c) • Market trends (c) 	<ul style="list-style-type: none"> • Ad hoc communication about events • Collaboration on research projects • Annual discussion at shareholders meeting with NGO representatives • Annual stakeholder dialogue
Other market players	<ul style="list-style-type: none"> a. Traditional market players b. New market players 	<ul style="list-style-type: none"> • Access to networks • Policy influence • Market developments and events 	<ul style="list-style-type: none"> • Periodic branch and sector events • Planned and ad hoc engagement on access to networks

Understanding the expectations of stakeholders helps PostNL to allocate resources effectively on relevant topics while focusing on adding short-, medium- and long-term value.

Sustainability context

Performance data becomes information only when put into context, which is an important principle we apply to our non-financial reporting. Our performance is influenced by our strategic actions and external circumstances, which could be sector or location specific and based on relevant trends and common goals, such as the SDGs. PostNL provides context to its performance on key material topics in the Business Report of this report.

Materiality assessment

PostNL interacts with its stakeholders on a wide variety of relevant but different topics. Selecting the key material topics that drive our long-term value creation is required to bring focus to the Annual Report. This materiality concept is similar to financial reporting and is applied by evaluating the extent to which a topic influences stakeholders' decisions and the significance of PostNL's impact on its environment, including stakeholders.

Identification of topics

PostNL used the following sources to prepare a long list of topics as a first step in the assessment:

- Desktop research including:
 - Peer review
 - Market trends
 - Topics evaluated in prior years, through our Annual Reports
 - Interests of benchmarks and guidelines (such as DJSI, CDP, GRI)
 - Media search
- Long-term impact related to the SDGs
- Interviews with (senior) management representing certain stakeholder groups with whom they have regular contact.

Selecting key material topics

Based on the long list of topics from different inputs, we clustered topics based on their nature as a first step in the selection process. The prioritisation of topics was performed based on the following process:

- a. Using the results of the extensive materiality assessment of 2020 as a basis;
- b. Updating the wording of topics to report on more specific topics;
- c. Updating the prioritisation of topics in the materiality matrix by the Annual Report project team. This was based on developments within PostNL and its operating environment and the relative importance of different stakeholders;
- d. Discuss the prioritisation of topics through interviews with (senior) management representing relevant stakeholder groups and those responsible for PostNL's strategic plans;
- e. Validate the materiality matrix with the Executive Committee which includes approval of PostNL's Board of Management.

List of topics and relation to value creation

PostNL mapped its material topics to the five different domains of value creation. These topics are the starting point of our value creation model, which can be found in the 'How we create value' chapter.

Completeness

The final element of the report foundations relate to completeness of topics, clear boundaries and coverage of the topics over time, to sufficiently reflect the significance of PostNL's impact.

Through the materiality assessment, PostNL selected, to the best of its knowledge, all relevant topics to include in this report. For each topic included in the non-financial disclosures, PostNL identified the topic boundaries where PostNL's impacts occur and how PostNL is involved in these impacts.

For all key material topics, the main impact of PostNL's activities occur in the Benelux, with the exception of environmental impact, where the main impact is outside the Benelux due to air transport of mail and parcels. For all key material topics, PostNL influences the impact by its direct activities. For the key material topics 'Customer experience' and 'Climate change', this influence is also impacted by indirect activities, mainly through activities for which we collaborate with logistics partners.

1.3 Safeguarding report quality

Quality principles

PostNL applied high-quality standards when preparing the non-financial information in this Annual Report. This means that the company ensures that the information this report provides is:

- **Accurate:** Precise and with sufficient level of detail
- **Balanced:** Reflects both positive and negative aspects of performance
- **Clear:** Understandable and accessible for stakeholders
- **Comparable:** Consistent and allows for comparability over time
- **Reliable:** Auditable
- **Timely:** Allow stakeholders to make informed decisions.

Scoping

PostNL has aligned the scope of reporting non-financial information with financial information. On certain areas the non-financial information scope differs from the financial reporting scope.

Acquisitions, divestments and mergers

We do not include information about joint ventures in the scope of non-financial information. New entities acquired during the reporting year will be included in the first reporting year in which the entity was part of PostNL for the entire year. When we divest entities during the year, or when we classify entities as discontinued in our financial reporting, we exclude the non-financial information from the performance data in the report. For material and available information we will report the relevant non-financial performance information separately in this chapter of the report. In case of mergers, we evaluate appropriate scoping on a case-by-case basis.

Performance by parties in our value chain

The primary focus in our non-financial reporting is on our own direct operations. For certain information, we extend our reporting to the performance of relevant parties in our value chain. Examples include information about fatal accidents where delivery partners of PostNL may be involved. But also the CO₂ emissions and kilometres of our transport logistics partners, both in the Benelux and beyond, including truck, air and boat transport. We include all emissions for transport directly arranged by PostNL. This excludes first- and last-mile transport where PostNL is not involved in organising the logistics.

Significant estimates and judgements

PostNL strives to report the non-financial information as accurately and completely as possible. Due to inherent limitations in relation to the uncertainty of measurement equipment and/or

availability of actual data, we use estimates, assumptions and judgements in our reporting. Estimates, assumptions and judgements are based on historical experience and other factors, including reasonable expectations under given circumstances.

For certain information, such as accidents, it is difficult to determine reasonable expectations. We partly depend on the reporting discipline of our people for accidents that occurred during the year. Despite all measures PostNL implemented, including an open safety culture, the inherent risk of incomplete accident reporting remains.

Significant estimates in emissions reporting

Emissions reporting provides inherent limitations to the accuracy of information. The main reason is the unavailability of data from contracted parties by PostNL about their factual transport kilometres, energy consumption and CO₂ emissions. Actual emissions monitoring is not common and therefore conversion factors published by external institutes are used. PostNL used the following significant estimates to report its emissions:

Fuel consumption and kilometres of contracted partners

For the contracted partners we calculate the fuel consumption using kilometres based on planning or actual route information from our operational systems and the average fuel consumption of our own fleet of comparable vehicles. In order to make conservative estimations, we assume all delivery partners use diesel vans in case we have no insight into the vehicles used. In 2019, we started to register information of vehicles used by delivery partners to obtain better insights in the vehicle mix. For those networks where we have this mix available, we use it to estimate the fuel consumption per vehicle type. Contrary to our own fleet, we do not know the exact number of kilometres driven by delivery partners. Therefore, the calculation of these kilometres include estimations.

Kilometres transported by foot or bike to deliver mail in the Netherlands

The kilometres covered by foot, bike or e-(cargo) bike consist of all kilometres made during deliveries. We use several sources to calculate the total kilometres covered. More than 88% of the kilometres are based on actual data. The remaining part of the kilometres is estimated based on available data.

Carbon emissions for international activities

For both road and air transport, PostNL calculates the tonne-kilometres carried based on the distance travelled (between the Netherlands and the hub of the destination) and the actual weight of the mail and parcels transported. For trucks, PostNL uses publicly-available route

planning information, and for air travel PostNL uses publicly-available information (Great Circle Mapper) to calculate the great circle distance between airports. Carbon emissions are calculated based on publicly-available emission factors per tonne-kilometre.

Energy consumption, CO₂, NO_x and PM₁₀ emissions

We use standard publicly available Dutch conversion factors to convert activity data from buildings and vehicles to energy consumption in Terra Joules (TJ).

To calculate CO₂ emissions of our total own operations and of outsourced operations to our delivery partners in the Benelux, we use different external sources in order to estimate the emissions as accurately as possible.

PostNL uses the tank-to-wheel (TTW) conversion factors from activity data to CO₂ emissions published by the independent Dutch initiative tied to the Government "CO2emissiefactoren.nl". This initiative manages a uniform list of factors commonly used and scientific based for the Dutch context. The conversion factors of electricity use outside The Netherlands are not provided by CO2emissiefactoren.nl, therefore PostNL uses the factors published by the International Energy Agency (IEA), an autonomous body in the framework of the Organisation for Economic Co-operation and Development (OECD).

The emissions of NO_x and PM₁₀ are not directly related to the usage of combustion fuels, but depend mainly on the efficiency of the engines of vehicles. The actual emissions of NO_x and PM₁₀ are not measured, therefore we use the maximum allowed emissions for the various European emission standards of vehicles we use (Euro 5 or Euro 6) in grams per kilometre. By using the maximum allowed emissions, PostNL reports the NO_x and PM₁₀ emissions conservatively.

Significant judgements

Customer satisfaction, employee engagement, brand reputation and delivery quality are indicators measured on sample basis. PostNL aims to report performance data that provides a representative view of the population from which the sample is taken. To achieve this representativeness, PostNL ensures the sample sizes are statistically sufficient and include all different sub populations to justify our assumption that the result of the measurement represents the view of the entire population for the indicators mentioned.

Note that the numbers presented in the non-financial statements and disclosures, and therefore may not sum precisely to the totals provided and percentages may not precisely reflect the absolute figures due to rounding.

Data revisions

Developments in business, reporting requirements and methodology improvements influence the way PostNL measures, calculates and reports its performance data. Whenever PostNL updates its reporting scope or reporting methods, we also revise prior years' data to keep the performance data comparable over time.

Energy efficiency of fleet

In 2021 we noticed that the energy efficiency of our fleet for the year 2020 was incorrectly disclosed. We have revised the related data point from 6.4 to 5.8 MJ/km in this year's disclosure.

Diversity

Another data revision relates to diversity in our workforce. We updated our underlying details in our reporting definition to determine the total share of females in management positions. As a result, the comparative figures have been revised. We have changed the underlying definition as result of our increased transparency by breaking down the total share of females in management positions into operation, middle and senior management.

Reporting processes, systems and controls

PostNL uses formalised processes to record, validate and consolidate information in order to report non-financial performance data. PostNL integrated non-financials in the regular planning and control cycle, including budgeting, target setting and periodic performance monitoring. We collect and report non-financial performance data on selected key performance indicators on a monthly basis. Other indicators are reported biannually or annually depending on the nature of the indicators.

Similar to financial reporting, all reporting entities are responsible for their non-financial performance data and implement actions to steer on results. Although the majority of non-financial information is recorded in central PostNL systems, for several entities and indicators other systems are used. For our consolidation processes, we use an IT system covering both financial and non-financial data. For some performance indicators, such as employee engagement, the data is prepared and collected centrally. We strive to report non-financial performance data based on actuals as much as possible. We focus on our key performance indicators. On other performance indicators, we may use extrapolation of results of large entities to determine the performance of smaller entities. This reduces the administrative tasks for smaller entities. We only use this method in cases where the extrapolations are reasonably predictable. In our data coverage table we provide insight into the information reported based on extrapolation.

In order to ensure that the data reported by different entities is consistent and of high quality, PostNL developed company-wide reporting definitions for each performance indicator. In addition, we implemented formal quality controls related to the reported data in the system for both the data owners (first line) and control department (second line). This includes de-central and central analytical procedures to evaluate the accuracy and completeness of reported data, as well as seeking explanations for unexpected trends in performance. PostNL uses its controls in a company-wide financial and non-financial internal control framework.

Forward-looking information

Some statements in this Annual Report are 'forward-looking statements'. By their nature, 'forward-looking statements' involve risk and uncertainty because they relate to and depend on circumstances that occur in the future. These statements involve known and unknown risks, uncertainties and other factors that are beyond PostNL's control and impossible to predict and may cause actual results to differ materially from any future results expressed or implied. They are based on current expectations, estimates, forecasts, analyses and projections about the

industries in which PostNL operates and PostNL management's beliefs and assumptions about future events.

Undue reliance cannot be placed on these 'forward-looking statements' by readers of this report. These statements only speak as of the date of this Annual Report and are neither predictions nor guarantees of future events or circumstances. PostNL does not undertake any obligation to release publicly any revisions to these statements to reflect events or circumstances after the date of this Annual Report or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.

Assurance

PostNL's Internal Audit department includes selected non-financial information and related controls in the scope of their work. In addition to the internal controls and internal audit, PostNL engaged EY as our independent external auditor for our financial statements to provide reasonable assurance on the non-financial information in this Annual Report.

The scope of EY's assurance includes the non-financial information in the following sections of this Annual Report:

- Introduction
- Business report (excluding the 'Financial value' and 'Opportunity and risk management' as well as the chapter 'Environmental value', section: 'EU taxonomy on sustainable activities')
- Non-financial performance statements (excluding Assurance report of the independent auditor).

Section 2: Customer value performance indicators

PostNL Customer value performance indicators as indicated

2017 - 2021

Year ended at 31 December	2017	2018	2019	2020	2021
Key performance indicators					
Share of highly satisfied customers	41%	30%	27%	37%	34%
Share of satisfied customers	85%	82%	80%	83%	83%
Parcel volume growth	17%	22%	12%	19%	14%
Delivery quality Parcels in the Netherlands ¹	99%	98%	98%	99%	98%
Delivery quality Mail in the Netherlands (2021 preliminary)	95%	95%	94%	94%	94%
Other performance indicators					
Reputation score (on a 0 -100 scale)	69.7	67.7	67.1	73.9	71.6
ISO 9001 certification (percentage of total FTE working in certified sites)	100%	100%	100%	100%	100%

¹ 2017-2019 not audited

2.1 Customer satisfaction

For our customer value Key Performance Indicators the trends and explanations are elaborated in the business report. For customer value those are the share of (highly) satisfied customers and delivery quality from Parcels and Mail in the Netherlands.

Customer satisfaction

We measure customer satisfaction twice a year through an online survey performed by an independent external research company. In 2021, we invited more than 65,000 customers, both business customers and consumers, to participate (2020: 65,500) and our response rate was 9% (2020: 9%). In our survey, we ask our customers about their opinion on various elements of our business. This includes but is not limited to the timeliness and quality of our delivery, our communication, the quality of our service and help desks. International customers are not included in this survey, their satisfaction is measured separately following a different method and reported internally.

Where traditionally customers would only use mail or parcel services, the rise of omnichannel means that today's customers use a range of products and services across the entire company. During their customer journey, customers interact with us through multiple channels and often switch between channels. For example, when receiving a parcel it is not uncommon for customers to use a combination of our website, the PostNL app and our retail locations. This is why we are

focusing on creating a unique and personalised customer experience that provides them with a uniform and consistent experience, no matter how, where or when they interact with us. More information about our developments and actions in relation to customer satisfaction is explained in the 'Customer value' chapter.

2.2 Parcel volume growth

Parcel volume growth

We calculate this indicator through the relative volume growth compared to the previous year. The growth in 2020 and 2021 was positively affected by the Covid-19 pandemic. More information can be found in the 'Customer value' and 'Financial value' chapters.

2.3 Delivery quality

At PostNL, the quality of our services is a key driver for our success. In order to grow, we need to have the basics right. This is why we focus strongly on the operational performance of our core processes and services. We measure and monitor a great variety of performance metrics against targets set in order to identify and follow up on improvement areas. At group level, we defined two key performance indicators, the delivery quality of 24h mail in the Netherlands and the delivery quality of parcels in the Netherlands.

Parcels in the Netherlands

The delivery quality of parcels in the Netherlands that we use as a key performance indicator covers the processes from sorting to delivering for our core parcels network. 2020 was the first year we set targets at senior management level and report about the performance externally. Consequently, the performance covering the years 2017 - 2019 are disclosed for comparability only, and have not been audited.

More information can be found in the 'Customer value' and 'Financial value' chapter.

Mail in the Netherlands

This is a preliminary result as the ACM will determine the final result based on an official report we will file in May 2022. More information is provided in the 'Customer value' and 'Financial value' chapter.

2.4 Reputation score

Reputation score

In addition to customer satisfaction, we also monitor our corporate reputation. The independent Reputation Institute calculates the RepTrak pulse score for our Dutch operations, based on a representative sample of respondents from Dutch society. The score is determined based on opinions of different stakeholders, including customers and employees. After a peak in 2020 (73.9) we noted a slight decrease in our reputation score in 2021 (71.6).

Section 3: Social value performance indicators

For our social value Key Performance Indicators the trends and explanations are elaborated in the business report. For social value those are the Employee engagement score and absenteeism.

3.1 Employee engagement

PostNL Employee engagement Share of engaged employees

2017 - 2021

Year ended at 31 December	2017	2018	2019	2020	2021
Average score ¹	not comparable	not comparable	76%	84%	84%

¹ New method in 2019. Results 2017 - 2018 not comparable

In 2019, we changed our methodology and started to measure employee engagement with slightly different questions and went from annual to bi-annual measurement. Therefore, the results of our prior method are not comparable with the results of the new methodology. The research is conducted only among PostNL employees. Due to the Covid-19 pandemic, we decided to cancel the first measurement in May 2020. In 2021 we again carried out two measurements.

The average score in 2021 was 84% (2020: 84%). In the May survey the score (86%) was slightly higher compared to the second survey in October (83%). In the first measurement the response rate was 54%, which decreased to 52% in the October measurement. Both deemed representative. Based on the qualitative feedback of employees we gain insights and are able to improve in the future. More information on the scores can be found in the 'Social value' chapter.

PostNL Collaboration barometer percentage

2020 - 2021

Year ended at 31 December	2017	2018	2019	2020	2021
NL					
Percentage of (highly) satisfied delivery partners	not reported	not reported	not reported	69%	69%
Percentage of (highly) satisfied deliverers	not reported	not reported	not reported	72%	73%
BE					
Percentage of (highly) satisfied delivery partners	not reported	not reported	not reported	69%	71%
Percentage of (highly) satisfied deliverers	not reported	not reported	not reported	74%	69%

For a large group of hired people, namely deliverers working for delivery partners, we measure satisfaction annually through a collaboration barometer. In the Netherlands, 42% (2020: 48%) of our delivery partners and 34% (2020: 40%) of their deliverers took part in our survey in 2021. In

Belgium, 22% (2020: 50%) of our delivery partners participated in the survey in 2021, as did 59% (2020: 55%) of their deliverers. More information can be found in the 'Social value' chapter.

3.2 Health and safety

PostNL Health and safety as indicated

2017 - 2021

Year ended at 31 December	2017	2018	2019	2020	2021
Absenteeism (share of total working days)	5.2%	5.9%	5.4%	5.9%	6.0%
Fatal accidents	1	2	3	1	2
Recordable accidents (per 100 FTE)	not reported	4.7	4.2	4.0	4.7
ISO 45001 certification (percentage of total FTE working in certified sites)	99%	99%	98%	98%	98%

Despite our efforts and initiatives on health and safety, we deeply regret having to report two fatal accidents across our operations in 2021 (2020: 1). One of the delivers from a delivery partner was involved in an accident with a third party, who unfortunately died. And a driver was involved in a fatal accident with a large truck.

The recordable accident rate increased in 2021 to 4.7 (2020: 4.0). Weather conditions in Q1 led to a relatively high number of accidents.

The absenteeism rate increased to 6.0% in 2021 (2020: 5.9%), which we deem to be a positive outcome considering the large impact the Covid-19 pandemic had on the health of many people worldwide. See the 'Social value' chapter for more information.

The ISO45001 certification is similar to 2020, with a 98% certification for PostNL.

3.3 Employment

PostNL Workforce number of employees

2017 - 2021

Year ended at 31 December	2017	2018	2019	2020	2021
Headcount (scope of non-financial reporting)	38,965	37,785	35,721	40,541	37,365
Fulltime equivalents (scope of non-financial reporting)	20,791	20,421	20,528	22,304	21,964

The total workforce of PostNL decreased by 7.8% in 2021, while the number of FTEs decreased by 1.5%. As of 1 February 2021, PostNL sold its subsidiary Cendris. As a result, approximately 1,700 employees left the PostNL Group. The main challenge in 2021 was to attract suitable people in an extremely tight labour market, particularly at Mail in the Netherlands. Due to an easing of the lockdown measures in relation to the pandemic, we faced higher turnover rates as of June 2021.

For the core networks of PostNL, specific collective labour agreements (CLA) are in place for all employees. Other, smaller, entities may have different arrangements on collective labour. Based on the full coverage of all employees within our largest networks, over 95% of all PostNL employees are covered by CLAs.

The share of female employees at year end decreased slightly to 48% (2020: 49%) and has been relatively stable in the past years.

The data used for compiling the employment overviews are extracted from our Human Resources systems. Headcount by gender is reported based on actual figures for all reporting entities. New hires and turnover is based on the figures for the entities included in our main Human Resources system. This includes over 95% of our headcount. The other 5% is extrapolated for the other, smaller entities.

PostNL Workforce by gender number of employees

2017 - 2021

Year ended at 31 December	2017	2018	2019	2020	2021
Male	21,049	19,583	19,299	18,432	20,625
Female	20,448	19,382	18,486	17,289	19,916
Balance at 1 January	41,497	38,965	37,785	35,721	40,541
Male	5,694	6,037	5,359	7,773	5,479
Female	6,246	5,249	4,154	7,667	4,509
New hires	11,940	11,286	9,513	15,440	9,988
Male	7,160	6,321	6,226	5,580	6,671
Female	7,312	6,145	5,351	5,040	6,493
Turnover	14,472	12,466	11,577	10,620	13,164
Male	19,583	19,299	18,432	20,625	19,433
Female	19,382	18,486	17,289	19,916	17,932
Balance at 31 December	38,965	37,785	35,721	40,541	37,365

From 2018 onwards we have witnessed a trend of more male new hires than female, which is also feasible in 2021.

PostNL New hires number of employees, unless otherwise indicated

2017 - 2021

Year ended at 31 December	2017	2018	2019	2020	2021
< 30 years	5,251	5,508	4,551	6,055	4,587
30 - 50 years	3,799	3,251	2,842	4,439	3,232
>50 years	2,890	2,527	2,120	4,946	2,169
Total by age group	11,940	11,286	9,513	15,440	9,988
Male (share of total headcount)	27%	31%	28%	42%	27%
Female (share of total headcount)	31%	27%	22%	44%	23%
Total (share of total headcount)	29%	29%	25%	43%	25%

More information about developments in our workforce and examples of improvement initiatives can be found in the 'Social value, section Workforce optimisation and capacity building' chapter.

PostNL Turnover as indicated

2017 - 2021

Year ended at 31 December	2017	2018	2019	2020	2021
< 30 years	5,766	5,048	4,696	4,170	5,225
30 - 50 years	4,432	3,806	3,417	2,807	3,528
>50 years	4,274	3,612	3,464	3,643	4,411
Total by age group	14,472	12,466	11,577	10,620	13,164
Male (share of total headcount)	34%	32%	32%	30%	32%
Female (share of total headcount)	36%	32%	29%	29%	33%
Total (share of total headcount)	35%	32%	31%	30%	32%
Total voluntary turnover	20%	20%	18%	17%	19%

The turnover rate in 2021 was comparable to 2020 and previous years. Due to the sale of Cendris at the beginning of the year, around 1,700 people left PostNL. Corrected for these employees, the underlying turnover rate is around 26%, which is lower than previous years and indicates that we are successfully retaining our employees, on average, for longer.

Due to the operational character of most of the jobs we employ and a relatively high share of part-timers and seasonal work, the turnover rate is relatively high compared to other sectors.

3.4 Diversity and inclusion

PostNL Diversity and inclusion as indicated

2017 - 2021

Year ended at 31 December	2017	2018	2019	2020	2021
Share of females in total headcount	50%	49%	48%	49%	48%
Share of females in operational management positions	not reported	not reported	not reported	21%	23%
Share of females in middle managements positions	not reported	not reported	not reported	32%	33%
Share of females in senior management positions	not reported	25%	27%	28%	29%
Share of females in management positions	26%	27%	27%	28%	30%

The share of female employees at year end decreased slightly to 48% (2020: 49%) and has been relatively stable in recent years.

diversity and inclusion in our recruitment and development activities contributed to us making progress on our ambition to increase the diversity and inclusion at management level.

The company-wide share of females in operational, middle and senior management positions increased, as did the share of females in overall management positions. Our continuous focus on

3.5 Recruitment and career development

PostNL Recruitment and career development as indicated

2017 - 2021

Year ended at 31 December	2017	2018	2019	2020	2021
Training hours per FTE	17	22	26	21	21
Average training costs in €per FTE	not reported	not reported	not reported	740	781

During 2021, we saw a comparable number of training hours per FTE. After challenges in 2020 due to Covid-19 restrictions, face-to-face training was possible for periods during 2021. However, partly due to challenges in a tight labour market, our workforce decreased. Nevertheless, the training hours per FTE remained stable in 2021 compared to 2020.

In 2021 we started to report the training costs per FTE. In 2021 this was €781 per FTE, versus €740 per FTE in 2020.

Section 4: Environmental value performance indicators

For our environmental value key performance indicators, the trends and explanations are elaborated on in the business report. For environmental value those are the CO₂ efficiency and share of emission-free delivery.

4.1 CO₂ efficiency and emission-free delivery

As a postal and logistic solutions provider, it is clear we have an impact on the environment, and that our operations emit carbon as well as other emissions. In the 'Environmental value' chapter, we explained our strategy to reduce our environmental impact, the development in our performance and our short and long-term targets. In our risk management process we evaluate physical, regulatory and reputational climate change-related risks. We identified that our main risks relate to not meeting our long-term reduction targets. No significant physical and regulatory risks climate change related risks were identified during 2021.

PostNL CO₂ efficiency as indicated

2017 - 2021

Year ended at 31 December	2017	2018	2019	2020	2021
CO ₂ efficiency (scope 1 and 2 emissions in grams CO ₂ e per km)	226	231	245	249	203
Share of emission-free delivery of mail and parcels in the last-mile	Not reported	17%	19%	20%	20%

Since 2019 we steer on two key performance indicators to monitor our progress in reducing environmental impact, CO₂ efficiency of our own operations and emission-free delivery of parcels and mail in the Benelux, by ourselves and by our delivery partners (scope 3).

Progressing on these two metrics cover the main elements of our business to achieve our long-term formal absolute and relative CO₂ targets until 2030, which are validated as being in line with the Paris climate agreement by the Science based Target Initiative (SBTi).

In line with our long-term planning, we expect to scale up the share of electric vehicles in our own fleet as quickly as feasible, which requires a preparation of infrastructure, including charging

stations. In 2021 we included these key performance indicators in our annual target setting and steer more actively on the progress on our long-term target.

CO₂ efficiency

We measure our CO₂ efficiency as the total CO₂ emissions from our own operations, both fleet and buildings, expressed per kilometre transported. The total transported kilometres include the kilometres of all our networks and both motorised and unmotorised (foot and bike). We monitor the progress on our targets through the relative improvement of the CO₂ per kilometres compared to the base year 2017. The CO₂ efficiency was 203 grammes per kilometre in 2021, which was mainly a result of renewable fuels. In 2021 we scaled the use of renewable diesel at the expense of diesel in both small and large trucks, and intensified the use of Bio-LNG at our large trucks fleet. This led to 20% less diesel tanked compared to 2020 and 86% more Bio-LNG tanked compared to 2020.

Emission-free delivery

In 2018, we introduced a target to deliver 100% of our mail and parcels emission-free in the last-mile in the Benelux by 2030, which we report as the share of emission-free kilometres compared to the total kilometres transported. This includes kilometres from our own operations and of our delivery partners and includes also the collection of mail and parcels with small trucks and vans and other light vehicles.

The share of emission-free last-mile delivery of mail and parcels was 20% in 2021, which was mainly a result of the 50 million kilometres we travelled by foot and bicycle to deliver mail in the Netherlands.

During the year we worked on an improved model to calculate our CO₂ emissions by air. This will improve our calculations. From 2022 we will use this model, which is based on aircraft types and load factor. This is different from our current method which is based on generals and estimations.

More information about our CO₂ efficiency and emission-free delivery can be found in the 'Environmental value' chapter.

4.2 Carbon footprint

PostNL Carbon footprint in kilotonnes CO₂e

2017 - 2021

Year ended at 31 December	2017	2018	2019	2020	2021
Natural gas and heating fuel	7	6	5	(0)	0
Fuel for large trucks	20	22	25	30	24
Fuel for small trucks and vans	9	9	10	11	10
Fuel for motorcycles	1	1	1	1	0
Total gross scope 1 emissions	37	38	41	41	34
Compensated emissions heating fuel (CO ₂ credits)	(0)	(0)	0	0	(0)
Compensated emissions for natural gas usage (CO ₂ credits)	(7)	(6)	(5)	0	0
Total net scope 1 emissions	30	32	37	41	34
Electricity consumed	0	(0)	0	0	0
District heating	0	0	0	0	0
Total gross scope 2 emissions	0	0	0	0	0
Compensated emissions	(0)	(0)	(0)	(0)	(0)
Total net scope 2 emissions	0	0	0	0	0
Company cars	5	6	4	3	2
Business travel by air	0	0	0	0	0
Employee commuting	19	19	21	21	23
Outsourced transport by road	114	113	113	129	141
Outsourced transport by air	73	56	49	46	44
Total gross scope 3 emissions	211	194	187	199	210
Compensated emissions company cars	(5)	(6)	(4)	(3)	(2)
Compensated emissions business travel by air	(0)	(0)	0	0	(0)
Compensated emissions employee commuting	0	0	(21)	(21)	(23)
Total net scope 3 emissions	206	188	162	176	184
Total gross emissions	249	232	229	240	244
Total net emissions	237	220	198	217	219

Scope 1

Our gross scope 1 emissions were 7 kilotonnes lower than in 2020. We realised a decrease in the emissions from all our transport activities. In 2020 we decided to source the natural gas we use sustainably by using the market-based instrument of purchasing Guarantees of Origin in relation to green gas.

The 7 kilotonnes decrease in transport-related CO₂ is mainly related to the carbon emissions of our large trucks, due to the use of renewable fuels. In total, we drove 14% more kilometres by large trucks compared to last year. This increase was a combination of volume growth and an increased share of the total kilometres by our own fleet, compared to outsourced transport. The growth in kilometres did not lead to a growth in CO₂ emissions. By implementing renewable fuels and replacing petrol motorcycles for electric variants we managed to grow in a sustainable way.

Scope 2

Our gross scope 2 emissions remained stable at 0 kilotonnes in 2020 (2019: 0). Our nominal electricity consumption decreased by 10 million kWh to 66 million kWh in 2021 (2020: 76 million kWh). The reasons for the decrease have been detailed in the section 'Energy efficiency of buildings'. We stimulate the use of sustainable electricity in our buildings and use the market-based instrument of purchasing Guarantees of Origin to ensure our electricity consumption is based on renewable energy. This resulted in gross scope 2 emissions of 0.

PostNL uses the market-based method for our formal reporting of our scope 2 greenhouse gas emissions. In accordance with the GHG protocol, we also calculated our location-based scope 2 emissions, which amounted to 28 kt CO₂ in 2021.

4.3 Energy consumption

PostNL Energy consumption in terajoules

2017 - 2021

Year ended at 31 December	2017	2018	2019	2020	2021
Energy consumption buildings (in TJ)	404	417	357	374	350
Energy consumption fleet (in TJ)	490	521	576	658	680
Total energy consumption	894	939	932	1,032	1,030

Buildings

The energy we use in buildings is produced for the heating of our buildings, running our machines and installations and for lighting. The energy we consumed in our buildings decreased compared

Scope 3

The gross scope 3 emissions grew by 5.5% compared to 2020. The majority of these emissions were related to outsourced transport activities both in the Benelux and beyond.

Outsourced transport

The total emissions from outsourced transport increased by 8 kilotonnes to 184 in 2021. Main developments that contribute to this 5% increase are:

- More outsourced activities in the Benelux as result of the growth in e-commerce, particularly at large transport and parcel delivery in Netherlands and Belgium (+9 ktCO₂);
- Business growth at smaller logistic networks as a consequence of e-commerce growth, stimulated by the Covid-19 pandemic and resulting closure of physical stores (+2 ktCO₂);
- Data quality improvements for smaller logistic networks (-3 ktCO₂).

Other scope 3 emissions

Due to Covid-19, our office employees had to work from home for the majority of the year. This led to a decrease in the use of company cars. On the other hand, employee commuting emissions increased despite a decrease in our workforce. This can be explained by centralisation in our mail business which resulted in a growing commuting distance. This results in increasing CO₂ emissions for increasing employee commuting.

We purchased Gold Standard credits to offset 25 kilotonnes of carbon emissions from company cars and business travel and employee commuting, resulting in net scope 3 CO₂ emissions of 184 kilotonnes (2020: 176 kilotonnes).

to 2020 by 10 million kWh which is equal to 13%. Different business developments contributed to this decrease:

- Data quality improvement for Parcels in Belgium (-5 million kWh);
- LED lightning and solar panels at the Mail sorting centres (-3.5 million kWh);
- Volume growth, the opening of the small parcel sorting centre (SPSC) and sorting centre in Westzaan (+3 million kWh);
- Disposal of Cendris (-1.5 million kWh);
- Covid-19 pandemic, closure of our old headquarters for one month and better energy efficiency in the new headquarter (-1 million kWh)

Due to the scale-up at our Parcel operation, we delivered 14% more parcels than in 2020. Consequently, we increased our sorting capacity leading to an extra sorting centre in Westzaan and the opening of our SPSC and therefore an increase in energy consumption. At Mail we saw volume stabilization. This did not led to extra energy use, as a result of investments in LED lighting and solar panels at sorting centres.

4.4 Energy efficiency of buildings

PostNL Buildings in terajoules

2017 - 2021

Year ended at 31 December	2017	2018	2019	2020	2021
Energy consumption from natural gas (in TJ)	96	92	73	84	93
Energy consumption from heating oil (in TJ)	3	3	3	2	1
Energy consumption from electricity (in TJ)	297	315	277	285	251
Energy consumption from district heating (in TJ)	8	8	5	4	5
Total energy consumption from buildings (in TJ)	404	417	357	374	350
Share of solar energy from total energy consumption in buildings	0%	5%	6%	7%	7%
Energy efficiency (in TJ /1,000 m₂)	0.51	0.58	0.47	0.47	0.40

Our electricity consumption reduced by 14%, which is further explained in the energy consumption paragraph before. The LED lighting we installed at most of our parcel sorting centres partly offset the extra energy consumed by our sorting machines.

2021 was a comparable year in terms of solar energy. The share of renewable electricity compared to our total energy consumption was 7%, as in 2020. This represents around 44% of the parcel sorting centres' total annually energy consumption, which is 5% lower compared to 2020.

Fleet

Energy consumption of our own fleet increased by 3% in 2021 compared to 2020. This increase was mainly due to increasing volumes in our network, requiring more transport activity from our fleet. The increase was partly offset by the investments in less energy-intensive LNG large trucks. In addition, we rolled out electric three-wheel scooters at Mail which replaces more energy-intensive petrol scooters.

The expected growth in our activities will likely result in a higher energy demand in years to come. We aim to minimise this by being as efficient as possible in our operations. At the same time, we focus on using less energy-intensive vehicles. For our electricity demand, we continue to invest in solar panels to generate as much renewable energy as possible ourselves. This not only reduces our environmental impact, but also stabilises our cost base in an increasingly volatile energy market.

Due to data quality improvement and the use of LED lightning, the energy consumption per square meter decreased 15% compared to 2020.

4.5 Energy efficiency of fleet

PostNL Fleet as indicated

2017 - 2021

Year ended at 31 December	2017	2018	2019	2020	2021
Energy consumption from large trucks (in TJ)	275	297	340	419	448
Energy consumption from small trucks and vans (in TJ)	204	213	226	231	227
Energy consumption from scooters (in TJ)	11	11	9	8	5
Energy consumption from bikes (in TJ)	0	0	0	0	0
Total energy consumption from fleet (in TJ)	490	521	576	658	680
Energy efficiency (in MJ / km)	5.3	5.5	5.6	5.8	5.8

The energy consumption of our large trucks increased by 7% compared to 2020, while energy consumption from small trucks, scooters and bikes remained relatively stable. The increase in energy consumption from large trucks was a result of the increase in volume, expansion of our fleet and a higher share of kilometres with our own trucks, compared to outsourced kilometres. We invested in LNG and diesel large trucks that are more efficient in terms of energy consumption. A part of these replaced older trucks and, at the same time, we also used part of these for our fleet expansion.

The energy consumption of small trucks marginally decreased during 2021. As the majority of our extra volumes was delivered by partners, the growth in kilometres was relatively small. In addition, we increased the load factors of our parcel delivery vans.

Due to a slightly lower number of electric kilometres with e-cargo bikes and the replacement of petrol scooters with electric scooters, the energy consumption from scooters and bikes decreased by 3 TJ. Electric scooters consume less energy compared to petrol scooters.

The above results in a comparable energy efficiency of fleet, which is a consequence of having acquired a more energy-efficient fleet in recent years.

4.6 Air quality

The developments in air quality are directly related to the type of vehicles we use. Therefore, the explanation of trends in the table above is combined with the explanation in trend in the table on our compliance with euro norms below. The calculation of the emissions are based on general factors per type of euro norm and is not specified further. As we do not have further information on underlying drivers to steer on, we do not set targets for these metrics.

PostNL Air pollution from fleet as indicated

2017 - 2021

Year ended at 31 December	2017	2018	2019	2020	2021
NO_x emissions (in kg)					
Large trucks	25,167	25,986	30,165	34,294	32,284
Small trucks and vans	12,501	9,949	9,117	8,908	7,682
Total NO_x emissions	37,668	35,935	39,282	43,202	39,966
NO_x efficiency (g/km)					
Large trucks	0.87	0.83	0.83	0.76	0.63
Small trucks and vans	0.24	0.19	0.16	0.15	0.14
Total NO_x efficiency	0.46	0.42	0.42	0.42	0.37
PM₁₀ emissions (in kg)					
Large trucks	361	382	443	529	562
Small trucks and vans	267	269	291	296	277
Total PM₁₀ emissions	628	651	734	825	839
PM₁₀ efficiency (g/km)					
Large trucks	0.01	0.01	0.01	0.01	0.01
Small trucks and vans	0.01	0.01	0.01	0.01	0.01
Total PM₁₀ efficiency	0.01	0.01	0.01	0.01	0.01

In 2021, we continued to further increase the combined percentage of vehicles complying with Euro 6 standards. In 2021 we saw an increase in the percentage of Euro 6 vehicles, as a result of our investments in new LNG and large diesel trucks. As in our small trucks fleet, we saw an increase due to electrification of our fleet and new diesel trucks.

The absolute NO_x emissions from large trucks decreased despite a growth in kilometres of 18%, related to the volume growth at Parcels. The decrease in absolute NO_x emissions was 7%. This shows the sustainability improvements of our own fleet.

The total relative NO_x emissions in g per km decreased to 0.37, resulting from the efficiency of both small and large trucks. The total number is influenced by the increase in the number of kilometres driven by large trucks relative to the total kilometres driven.

The absolute PM₁₀ emissions increased in 2021 compared to 2020. As a result of the increased driven kilometres, the absolute emissions from large trucks increased. Within small trucks, emissions decreased as a result of more electric small trucks. In the coming years we expect the absolute PM₁₀ emissions to decrease as a consequence of the growing electric fleet.

Relative PM₁₀ emissions remained stable in 2021 compared to prior years. As in previous years, the relative emissions were 0.01 grammes per kilometre.

PostNL Compliance with Euro emission norms share per euro norm

2017 - 2021

Year ended at 31 December	2017	2018	2019	2020	2021
Large trucks					
Vehicles complying with Euro 6	68%	73%	69%	81%	86%
Vehicles complying with Euro 5	32%	27%	31%	19%	14%
Small trucks and vans					
Vehicles complying with Euro 6	46%	76%	81%	85%	97%
Vehicles complying with Euro 5	54%	24%	19%	15%	3%
Total					
Vehicles complying with Euro 6	48%	76%	80%	84%	95%
Vehicles complying with Euro 5	52%	24%	20%	16%	5%

The scale-up of our electric fleet will help us improve our absolute air polluting emissions, which is one of the elements covered in our Zero2030 programme. With the progress on our targets to become emission-free in our parcel and mail delivery by 2030 in the Benelux, and to deliver emission-free in 25 city centres by 2025, we will also significantly reduce our air polluting emissions, particularly in our small truck fleet and the fleet of our delivery partners. Scaling up our

transition to increase the share of electric vehicles in our fleet requires a combination of sufficient availability of suitable vehicles in the market and adjusting both infrastructure and logistics in the coming years.

4.7 Environmental management system

PostNL Environmental management system as indicated

2017 - 2021

Year ended at 31 December	2017	2018	2019	2020	2021
ISO 14001 certification (percentage of total FTE working in certified sites)	100%	100%	100%	100%	100%

Our environmental management systems help us to continuously improve our environmental performance and management across the company. As in prior years, all PostNL employees worked in ISO14001-certified locations. To the best of our knowledge we had no environmental violations which shows the effectivity of the environmental management system.

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Section 1: Appropriation of profit

Extract from the articles of association on appropriation of profit

Under PostNL's articles of association, the dividend specified in article 31, paragraph 1 will first be paid on the preference shares B if outstanding. Subject to the approval of PostNL's Supervisory Board, the Board of Management will determine thereafter which part of the profit remaining after payment of dividend on any preference shares B will be appropriated to the reserves (article 31, paragraph 2). The remaining profit after the appropriation to reserves shall be at the disposal of the General Meeting of Shareholders (article 31, paragraph 3). No dividend shall be paid on shares held by PostNL in its own capital (article 31, paragraph 6). Preference shares B were not issued in 2021.

Section 2: Independent auditor's report

To: the shareholders and Supervisory Board of PostNL N.V.

Report on the audit of the financial statements 2021 included in the Annual Report

Our opinion

We have audited the financial statements 2021 of PostNL N.V. (hereinafter: PostNL or the Company), based in The Hague, the Netherlands.

In our opinion the accompanying financial statements give a true and fair view of the financial position of PostNL N.V. as at 31 December 2021 and of its result and its cash flows for 2021, in accordance with International Financial Reporting Standards, as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

- The consolidated primary statement and corporate primary statement of financial position as at 31 December 2021
- The following statements for 2021: the consolidated and corporate income statement, the consolidated and corporate statements of comprehensive income, changes in equity and cash flows
- The notes comprising a summary of the significant accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the “*Our responsibilities for the audit of the financial statements*” section of our report.

We are independent of PostNL in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the “Wet toezicht accountantsorganisaties” (Wta, Audit firms supervision act), the “Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten” (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands.

Furthermore we have complied with the “Verordening gedrags- en beroepsregels accountants” (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information in support of our opinion

We designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The following information in support of our opinion and any findings were addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

Our understanding of the business

PostNL provides businesses and consumers in the Benelux with an extensive range of services for their mail and parcel needs. Through their international sales network Spring, they connect local business around the world to consumers globally. The group is structured in components and we tailored our group audit approach accordingly. We paid specific attention in our audit to a number of areas driven by the operations of the group and our risk assessment.

We start by determining materiality and identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error in order to design audit procedures responsive to those risks and to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Materiality

Materiality	€15 million (2020: €12 million)
Benchmark applied	5% of operating income (rounded)
Explanation	<p>We consider an earnings-based measure as the most appropriate basis to determine materiality. We consider operating income to be the most appropriate earnings-based benchmark, as it provides us with a consistent year on year basis for determining materiality and is one of the key performance measures for the users of the financial statements.</p> <p>The benchmark applied is in line with last year's audit. Compared to prior year materiality increased as a result of increased operating income.</p>

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Supervisory Board that misstatements in excess of €750,000, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

PostNL is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

Our group audit focused on significant group entities of PostNL N.V. within the segments Parcels, Mail in the Netherlands and PostNL Other. Based on their significance and/or risk characteristics, we performed full scope or specific scope audit procedures on the significant group entities within those segments.

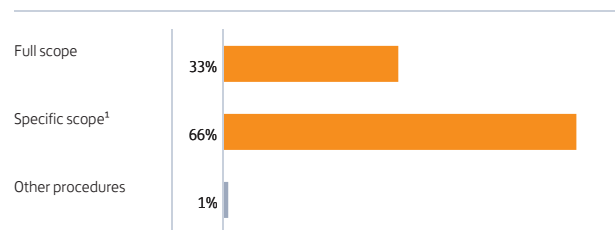
For the entities in scope within Parcels, except for Spring Hong Kong, and Mail in The Netherlands the group engagement team performed the work. For Spring Hong Kong we used EY auditors from Hong Kong (component auditors), who are familiar with local laws and regulations, to perform audit procedures to obtain sufficient coverage for financial statement line items from a consolidated financial statements perspective.

Component materiality was determined by our judgment, based on the relative size of the component and our risk assessment. The component auditor applied a component materiality that is significantly less than €7.5 million.

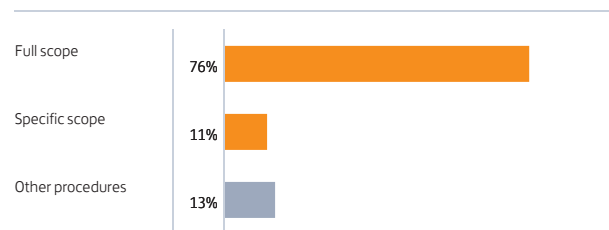
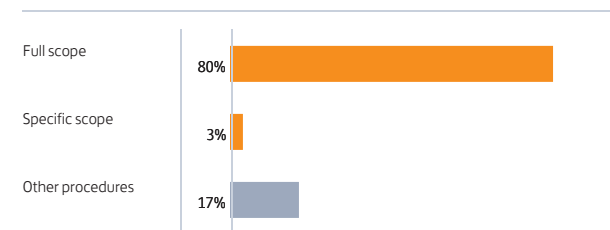
We sent detailed instructions to the component auditor, covering the significant areas that should be addressed and set out the information required to be reported to us. We interacted regularly with the component team where appropriate during various stages of the audit, reviewed key working papers and were responsible for the scope and direction of the audit process.

Because of the continuing (international) travel restrictions and social distancing due to the Covid-19 pandemic, we needed to restrict or have been unable to visit management and/or the component auditor to perform our oversight procedures on site. In order to compensate for the limitations related to physical presence and direct observation, we performed alternative procedures (for example reviewed key working papers electronically and held our meetings with the component auditor using video or conferencing facilities) to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

In total these procedures represent 99% of the group's total assets, 87% of revenues and 83% of operating income.

Assets

1 The entities that were assigned a specific scope are presented above covering 100% of the related assets.

Revenues**Operating income**

None of the components covered through other procedures (remaining components) individually represented more than 2% of total group revenue. For those remaining components we performed, amongst others, analytical procedures to corroborate our assessment that there were no significant risks of material misstatements within those components. By performing the procedures mentioned above at components of the group, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated financial statements.

Teaming, use of specialists and internal audit

We ensured that the audit teams both at group and at the component level included the appropriate skills and competences which are needed for the audit of this industry. We involved several EY specialists to assist the audit team, including specialists from our tax, forensics, valuations, actuarial and treasury departments.

We performed our audit in cooperation with Internal Audit of PostNL, leveraging their in-dept knowledge of the Company and the work performed. We agreed about the joint coordination of the audit planning, the nature and scope of the work to be performed, the reporting and documentation. We evaluated and tested the relevant work performed by Internal Audit to satisfy ourselves that the work is adequate for our purposes and established what work had to be performed by our own professionals.

Our focus on climate risks

Climate change will be high on the public agenda in the next decades. It addresses risks related to the sustainability of the business model and access to financial markets. Objectives such as CO₂ reduction impact financial reporting, as these entail risks for the business operation, the valuation of assets ('stranded assets') and provisions.

As part of our audit of the financial statements we evaluated the extent to which climate-related risks are taken into account in estimates and significant assumptions, such as investments into environmental projects as part of PostNL's longer-term strategy. We refer to the key audit matter 'Valuation of Investments in subsidiaries (corporate primary statements)'. Furthermore, we read the report of the Board of Management and considered whether there is any material inconsistency between the non-financial information in section 8 'Environmental value' and section 21 'Non-financial statements' and the financial statements.

Our audit procedures to address the assessed climate-related risks and the possible effects of the energy transition did not result in a separate key audit matter.

Our focus on fraud and non-compliance with laws and regulations**Our responsibility**

Although we are not responsible for preventing fraud or non-compliance and we cannot be expected to detect non-compliance with all laws and regulations, it is our responsibility to obtain

reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether caused by fraud or error.

Our audit response related to fraud risks

We identify and assess the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of PostNL and its environment and the components of the system of internal control, including the risk assessment process and the Board of management's process for responding to the risks of fraud and monitoring the system of internal control and how the Supervisory Board exercises oversight, as well as the outcomes.

We refer to section 10 of the Business Report for Management's fraud risk assessment and section 14 of the Supervisory Board report in which the Supervisory Board reflects on this fraud risk assessment.

We evaluated the design and relevant aspects of the system of internal control and in particular the fraud risk assessment, as well as the code of conduct, whistle blower procedures and incident registration. We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness, of internal controls designed to mitigate fraud risks.

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption in close co-operation with our forensic specialists. We evaluated whether these factors indicate that a risk of material misstatement due fraud is present.

We incorporated elements of unpredictability in our audit. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance.

We addressed the risks related to management override of controls. In our audit approach we considered that this fraud risk would primarily impact the revenue related accruals (terminal dues) as this can impact normalised EBIT, one of the key metrics of the Company on which incentives (yearly bonus) are based. The judgments and assumptions in the determination of the revenue related accruals due to uncertainties around the negotiation results may represent a risk of material misstatement due to fraud. We refer to the Key Audit Matter 'revenue related accruals (terminal dues)' for the description of the audit procedures responsive to this fraud risk.

Furthermore, we performed additional procedures to address risks related to management override of controls. We obtained audit evidence to support material top-side manual entries as part of the consolidation and used data analysis to identify and address high-risk journal entries for the in-scope entities.

We considered available information and made enquiries of relevant Board of Management, Executive Committee members, directors including internal audit, legal, compliance, human resources and regional directors and the Supervisory Board/Audit Committee.

The fraud risk we identified, enquires and other available information did not lead to specific indications for fraud or suspected fraud potentially materially impacting the view of the financial statements.

Our audit response related to risks of non-compliance with laws and regulations

We assessed factors related to the risks of non-compliance with laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general industry experience and through discussions with the Audit Committee, the Board of Management, Executive Committee and Director Audit & Security.

We refer to section 11 "Regulatory compliance management" as included in the Business report. Our audit approach included amongst others the following steps: 1) obtaining an understanding of the environment and the Company to enable the detection of non-compliance with laws and regulations 2) reading minutes and inspection of internal audit and the integrity committee reports and 3) substantive tests of details of classes of transactions, account balances or disclosures. We also inspected lawyers' letters and correspondence with regulatory authorities and remained alert to any indication of (suspected) non-compliance throughout the audit.

Our audit response related to going concern

As disclosed in section 'Going concern' in Note 1.2 to the financial statements and Statement of the Board of Management in section 19, the Board of Management made a specific assessment of the company's ability to continue as a going concern and to continue its operations for at least the next 12 months.

We discussed and evaluated the specific assessment with the Board of Management exercising professional judgment and maintaining professional skepticism. We considered whether the Board of Management's going concern assessment, based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, contains all events or

conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.

Based on our procedures performed, we did not identify serious doubts on the company's ability to continue as a going concern for the next 12 months. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

The key audit matter "Sale-and-leaseback transaction", which was included in our last year's auditor's report, is not considered as a key audit matter for this year. The key audit matter last year saw to the complexity of applying IFRS 15 and IFRS 16 at initial recognition. Since there were no significant sale-and-leaseback transactions this year this no longer qualifies as a key audit matter in 2021.

Risk	Our audit approach	Key observations
<p>Revenue related accruals (terminal-dues)</p> <p>The revenue related accruals of the Company mainly relate to outstanding positions with international postal operators for services provided or received (terminal dues). In several cases the prices and volume negotiations with the counterparties are not finalized, which results in assumptions being used by management in the determination of the revenue related accruals.</p> <p>The estimates used in the calculation of the terminal dues can have an impact on the operating revenues and accrued liabilities and is therefore important to our audit.</p> <p>Further reference is made to note 3.1.4 to the consolidated primary statements. In addition, the general accounting policy around revenue related accruals is disclosed in note 1.3 of the consolidated primary statements.</p>	<p>We have gained an understanding of the terminal dues position and its revenue related accruals process, performed walkthroughs of the revenue classes of transactions and evaluated the design of the relevant internal controls in this area.</p> <p>We performed detailed analytical review procedures on the terminal due positions, which included inquiry of management of the Company on the development of the postal volume and the status of the negotiations with the largest counterparties. We challenged this information with external reports received from other postal service providers on postal volume delivered to PostNL.</p> <p>We assessed the quality of the estimation process of management by performing back-testing procedures on the estimates of prior year by comparing those to final settlements in the current year.</p> <p>We performed test of detail procedures by verifying prices and volumes, based on contractual agreements and volume registrations received from foreign postal operators respectively. We performed detailed procedures to determine the correctness of manual adjustments by substantiating the amounts to supporting documentation.</p> <p>We also assessed the appropriateness of the Company's accounting policies in relation to revenue related accruals and the adequacy of the Company's related disclosures as included in note 3.1.4 of the consolidated primary statements.</p>	<p>We note that the Company's revenue recognition accounting policies were appropriately applied.</p> <p>Furthermore, we consider that management's assumptions related to the terminal due positions are within the acceptable range and the positions as per 31 December 2021 are management's best estimate.</p> <p>In addition, we assessed that the disclosures are appropriate.</p>

Risk	Our audit approach	Key observations
<p>Valuation of Investments in subsidiaries (corporate primary statements)</p> <p>At 31 December 2021 the value of Investments in subsidiaries, as included in the corporate primary statements, amounted up to €3,526 million (2020: €3,002 million). At each balance sheet date, the Company reviews whether there is an indication that its Investments in subsidiaries are impaired or whether there are indicators that a previously recognized impairment may no longer exist or may have decreased.</p> <p>Auditing the calculation of the recoverable amount is complex, given the significant judgment related to assumptions and data in the model used to determine whether the carrying value of Investments in subsidiaries is appropriate. Significant assumptions used in the model to support the recoverable amount of Investment in subsidiaries are the discount rate and operating income.</p> <p>The assumptions and related changes, sensitivities and results of the tests performed are disclosed in note 6.4.1 of the corporate primary statements. In addition, the general accounting policy around impairment is disclosed in note 1.3 and 5.4 of the consolidated primary statements. The Company recorded an impairment reversal of €524 million in 2021.</p>	<p>We have gained an understanding of the Investment in subsidiaries impairment testing process, performed a walkthrough of the impairment analysis process (e.g. controls over the data and assumptions used in the analysis such as the discount rate and operating income) and evaluated the control design in this area.</p> <p>Our EY valuation specialists assisted us with our audit of PostNL's annual impairment analysis. We reviewed the valuation model to assure that the methodology used is in line with IAS 36 Impairment of assets.</p> <p>We validated that the projected financial information used in the analysis was derived from PostNL's most recent strategic plan and long-term forecast as approved by the Board of Management and Supervisory Board and have evaluated the historical accuracy of management's assessment by comparing the historical actual results to the forecasts used. We verified that ESG's climate related investments are included in the strategic plan and therefore incorporated in the long-term financial forecasts. Additionally, we challenged the impact of Digital Next, which is considered as a substantial driver for in the increase of the Investment value.</p> <p>We challenged the assumptions and related changes used by the Company in their valuation model by comparing to external information such as discount rates and implied growth rates driving operating income.</p> <p>We confirmed that the cash flow projections are appropriate and consistent with the information approved by the Board of Management and the Supervisory Board and we reconciled the carrying value to financial information from the accounting system.</p> <p>On top of the procedures mentioned before, we have assessed the impact of Covid-19 and challenged the sensitivity analysis as performed by the Company. In the sensitivity analysis for Investments in subsidiaries the Company stress tested the key assumptions discount rate and operating income to calculate the impact of a change in assumption.</p> <p>We also assessed the adequacy of the Company's disclosures around Investments in subsidiaries as included in note 6.4.1 of the corporate primary statements.</p>	<p>We consider management's assumptions to be within the acceptable range and we assessed that the disclosures for Investments in subsidiaries are appropriate.</p>

Report on other information included in the annual report

The annual report contains other information in addition to the financial statements and our auditor's report thereon.

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as required by Part 9 of Book 2 for the report of the Board of Management and the other information as required by Part 9 of Book 2 of the Dutch Civil Code and as required by Sections 2:135b and 2:145 sub-section 2 of the Dutch Civil Code for the remuneration report.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 and Section 2:135b sub-Section 7 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

The Board of Management is responsible for the preparation of the other information, including the report of the Board of Management in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information required by Part 9 of Book 2 of the Dutch Civil Code. The Board of Management and the Supervisory Board are responsible for ensuring that the remuneration report is drawn up and published in accordance with Sections 2:135b and 2:145 sub-section 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements and ESEF Engagement

Following the appointment by the annual general meeting of shareholders on 14 April 2015, we were engaged by the Supervisory Board on 11 January 2016 as auditor of PostNL N.V., as of the audit for the year 2016 and have operated as statutory auditor since that date. We were re-appointed in the annual general meeting of shareholders on 16 April 2019.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

European Single Electronic Reporting Format (ESEF)

PostNL has prepared the annual report in ESEF. The requirements for this are set out in the Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (hereinafter: the RTS on ESEF).

In our opinion, the annual report, prepared in the XHTML format, including the partially marked-up consolidated primary statements, as included in the reporting package by PostNL, complies in all material respects with the RTS on ESEF.

The Board of Management is responsible for preparing the annual report, including the financial statements, in accordance with the RTS on ESEF, whereby the Board of Management combines the various components into a single reporting package.

Our responsibility is to obtain reasonable assurance for our opinion whether the annual report in this reporting package complies with the RTS on ESEF.

Our procedures, taking into account Alert 43 of the NBA (the Netherlands Institute of Chartered Accountants), included amongst others:

- obtaining an understanding of PostNL's financial reporting process, including the preparation of the reporting package
- obtaining the reporting package and performing validations to determine whether the reporting package containing the Inline XBRL instance document and the XBRL extension taxonomy files, has been prepared in accordance with the technical specifications as included in the RTS on ESEF
- examining the information related to the consolidated primary statements in the reporting package to determine whether all required mark-ups have been applied and whether these are in accordance with the RTS on ESEF.

Description of responsibilities for the financial statements Responsibilities of the Board of Management and the Supervisory Board for the financial statements

The Board of Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Board of Management is responsible for such internal control as the Board of Management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the Board of Management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, the Board of Management should prepare the financial statements using the going concern basis of accounting unless the Board of Management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The Board of Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. The 'Information in support of our opinion' section above includes an informative summary of our responsibilities and the work performed as the basis for our opinion.

Our audit further included among others:

- Performing audit procedures responsive to the risks identified, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Management

- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Communication

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

In this respect we also submit an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Amsterdam, 28 February 2022

Ernst & Young Accountants LLP

signed by S.D.J. Overbeek-Goeseije

Section 3: Assurance report of the independent auditor

To: the Shareholders and Supervisory Board of PostNL N.V.

Report on the audit of the non-financial information included in the Annual Report 2021

Our opinion

We have audited the non-financial information in the accompanying annual report for the year 2021 of PostNL N.V. at The Hague. An audit is aimed at obtaining a reasonable level of assurance.

In our opinion, the non-financial information presents, in all material respects, a reliable and adequate view of:

- The policy and business operations with regard to corporate social responsibility
- The there to related events and achievements for the year 2021

in accordance with the Sustainability Reporting Standards of the Global Reporting Initiative (GRI Standards) and applied supplemental reporting criteria as disclosed in chapter 'Non-financial statements' of the annual report.

The non-financial information in scope of our audit is included in the following chapters in the annual report: Introduction, Business Report (excluding the EU Taxonomy disclosures in 'Environmental value', 'Financial value', 'Risk and opportunity management' and 'Regulatory compliance management') and 'Non-financial statements'.

Basis for our opinion

We have conducted our audit on the non-financial information in accordance with Dutch law, including Dutch Standard 3810N, "Assurance-opdrachten inzake maatschappelijke verslagen" (Assurance engagements relating to sustainability reports), which is a specific Dutch Standard that is based on the International Standard on Assurance Engagements (ISAE) 3000, "Assurance Engagements other than Audits or Reviews of Historical Financial Information". Our responsibilities under this standard are further described in the section 'Our responsibilities for the audit of the non-financial information' in our report.

We are independent of PostNL N.V. in accordance with the "Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten" (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant

independence requirements in the Netherlands. This includes that we do not perform any activities that could result in a conflict of interest with our independent assurance engagement. Furthermore we have complied with the "Verordening gedrags- en beroepsregels accountants" (VGBA, Dutch Code of Ethics).

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Reporting criteria

The non-financial information needs to be read and understood together with the reporting criteria. PostNL N.V. is solely responsible for selecting and applying these reporting criteria, taking into account applicable law and regulations related to reporting.

The reporting criteria used for the preparation of the non-financial information are the GRI Standards and the applied supplemental reporting criteria as disclosed in chapter 'Non-financial statements' of the annual report.

The absence of an established practice on which to draw, to evaluate and measure non-financial information allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time.

Our audit approach

Our understanding of the business

PostNL provides businesses and consumers in the Benelux with an extensive range of services for their mail and parcel needs, Through their international sales network Spring, they connect local business around the world to consumers globally. We paid specific attention in our audit to a number of areas driven by the activities of the company and its operating environment.

We started by determining materiality and identifying and assessing the risks of material misstatement of the non-financial information, whether due to fraud or error, we design audit procedures responsive to those risks and to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk that the non-financial information is misleading or unbalanced, or the risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Materiality

Based on our professional judgement we determined materiality levels for each relevant part of the non-financial information and for the non-financial information as a whole. When evaluating our materiality levels, we have taken into account quantitative and qualitative considerations as well as the relevance of information for both stakeholders and the company.

We agreed with the Supervisory Board that misstatements which are identified during the audit and which in our view must be reported on quantitative or qualitative grounds, would be reported to them.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the non-financial information. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

The key audit matter “Delivery quality parcels in the Netherlands” which was included in our last year’s assurance report, is not considered a key audit matter for this year as this is the second year that PostNL reports this KPI in the non-financial information of the annual report.

Key audit matter	How our assurance engagement addressed the matter	Key observations
<p>Estimations and assumptions used for calculating CO₂ scope 3 emissions</p> <p>External delivery partners are a material part of PostNL’s CO₂ emissions. The methodology for calculating the CO₂ emissions of these external delivery partners is based on the Greenhouse Gas protocol of the World Resource Institute (WRI)/World Business Council for Sustainable Development (WBCSD).</p> <p>In the absence of complete information from its external delivery partners, PostNL estimates scope 3 CO₂ emissions based on assumptions.</p>	<p>Our procedures focused on understanding and evaluating the reasonableness of the estimates and assumptions used.</p> <p>We assessed the sufficiency of related disclosures, including information on inherent limitations, and the consistent use compared to prior year.</p>	<p>We concur with the estimates and assumptions used in calculating the scope 3 CO₂ emissions and the sufficiency of the related disclosures. In addition, we determined that the assumptions and estimates used did not change compared to prior year.</p>
<p>Methodology underlying indicators measured by third parties</p> <p>The reputation, employee engagement and the customer satisfaction indicators are by request of PostNL measured by third parties. The outcome is based on the methodology used by these third parties.</p>	<p>Our procedures focused on evaluating whether the methodology used by the third party is suitable and consistently applied.</p> <p>We assessed the sufficiency of related disclosures and the consistent use compared to prior year.</p>	<p>We concur with the methodologies applied, the sufficiency of the related disclosures and determined that the methodology used did not change compared to prior year.</p>

Limitations to the scope of our audit

The non-financial information includes prospective information such as ambitions, strategy, plans, expectations, estimates and risk assessments. Inherent to prospective information, the actual future results are uncertain. We do not provide any assurance on the assumptions and achievability of prospective information in the non-financial information.

The references to external sources or websites in the non-financial information are not part of the non-financial information as audited by us. We therefore do not provide assurance on this information.

Our opinion is not modified in respect to these matters.

Description of responsibilities for the non-financial information Responsibilities of the Board of Management and the Supervisory Board for the non-financial information

The Board of Management is responsible for the preparation of reliable and adequate non-financial information in accordance with the reporting criteria as included in the section Reporting criteria, including the identification of stakeholders and the definition of material matters. The choices made by the Board of Management regarding the scope of the non-financial information and the reporting policy are summarized in chapter 'Non-financial statements' of the annual report.

Furthermore, the Board of Management is responsible for such internal control as it determines is necessary to enable the preparation of the non-financial information that are free from material misstatement, whether due to fraud or errors.

The Supervisory Board is responsible for overseeing the reporting process of PostNL N.V.

Our responsibilities for the audit of the non-financial information

Our responsibility is to plan and perform the audit in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud.

We apply the “Nadere voorschriften kwaliteitssystemen” (NVKS, Regulations for Quality management systems) and accordingly maintain a comprehensive system of quality control

including documented policies and procedures regarding compliance with ethical requirements, professional standards and other relevant legal and regulatory requirements.

We have exercised professional judgment and have maintained professional skepticism throughout the audit performed by a multi-disciplinary team, in accordance with the Dutch assurance standards, ethical requirements and independence requirements.

The 'Information in support of our opinion' section above includes an informative summary of our responsibilities and the work performed as the basis for our opinion. Our audit further included amongst others:

- Performing an analysis of the external environment and obtaining an understanding of relevant social themes and issues, and the characteristics of the company
- Evaluating the appropriateness of the reporting criteria used, their consistent application and related disclosures in the non-financial information. This includes the evaluation of the results of the stakeholders' dialogue and the reasonableness of estimates made by the Board of Management
- Obtaining an understanding of the systems and processes for collecting, reporting and consolidating the non-financial information, including obtaining an understanding of internal control relevant to our audit, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control
- Evaluating the procedures performed by the internal audit department
- Identifying and assessing the risks that the non-financial information is misleading or unbalanced, or contains material misstatements, whether due to fraud or errors. Designing and performing further audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. These further audit procedures consisted amongst others of
 - Interviewing relevant staff at corporate and business level responsible for the non-financial strategy, policy and results
 - Interviewing relevant staff responsible for providing the information for, carrying out internal control procedures on, and consolidating the data in the non-financial information
 - Determining the nature and extent of the audit procedures for the group components and locations. For this, the nature, extent and/or risk profile of these components are decisive. Based thereon we selected the components. The procedures are aimed at, on a local level, validating source data and evaluating the design, implementation and validation procedures.

- Obtaining assurance information that the non-financial information reconciles with underlying records of the company
- Evaluating relevant internal and external documentation, on a test basis, to determine the reliability of the non-financial information
- Performing an analytical review of the data and trends in the information submitted for consolidation at corporate level
- Reconciling the relevant financial information with the financial statements
- Evaluating the consistency of the non-financial information with the information in the annual report which is not included in the scope of our audit
- Evaluating the overall presentation, structure and content of the non-financial information
- Considering whether the non-financial information as a whole, including the disclosures, reflects the purpose of the reporting criteria used

Communication

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant findings, including any significant findings in internal control that we identify during our audit.

From the matters communicated with the Supervisory Board we determine the key audit matters: those matters that were of most significance in the audit of the non-financial information. We describe these matters in our assurance report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not mentioning it is in the public interest.

Amsterdam, 28 February 2022

Ernst & Young Accountants LLP

Signed by J. Niewold

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1 Other non-financial performance indicators

PostNL Other non-financial performance indicators

2017 - 2021, as indicated

Year ended at 31 December	2017	2018	2019	2020	2021
People indicators					
Employees with a disability	1,631	1,704	1,351	1,320	1,094
Disabled employees as percentage of total headcount	4%	5%	4%	3%	3%
Environmental indicators					
Water usage (in liters per FTE)	not reported	not reported	5,246	6,257	7,051
Waste (in tonnes per FTE)	0.3	0.2	0.2	0.2	0.2
Recycling of waste in percentage of total waste	64%	66%	77%	88%	88%
Environmental incidents on site	1	2	4	6	3
Environmental incidents off site	0	2	4	2	3

2 Data coverage

The periodically reported non-financial data depends on the scope of the entity. Where appropriate, certain non-financial data of medium or limited scope entities is estimated.

The table on the next page shows an overview of the resulting scoping coverage per line item in the 'Non-financial performance indicators'.

PostNL Data coverage table

2021

	Actual data	Extrapolation
Customer value		
Share of highly satisfied customers	100%	0%
Customer satisfaction (% of satisfied customers)	100%	0%
Parcel volume growth	100%	0%
Delivery quality Parcels in the Netherlands	100%	0%
Delivery quality Mail in the Netherlands (preliminary)	100%	0%
Reputation score	100%	0%
ISO 9001 certification (percentage of total FTE working in certified sites)	100%	0%
Social value		
Share of engaged employees	100%	0%
Headcount (scope of non-financial reporting)	100%	0%
Fulltime equivalents (scope of non-financial reporting)	100%	0%
Share of females in total headcount	100%	0%
Share of females holding a management position	100%	0%
Training hours per FTE	94%	6%
Average training costs in € per FTE	100%	0%
Accident rate (per 100 FTE)	100%	0%
Fatal accidents	100%	0%
Absenteeism (share of total working days)	96%	4%
ISO 45001 Certification	100%	0%
Environmental value		
CO2 efficiency (in grammes per km)	97%	3%
Share of emission-free delivery of mail and parcels in the last-mile	100%	0%
Energy consumption (total scope 1 and 2 in TJ)	94%	6%
Energy efficiency buildings (TJ / 1,000 m2)	86%	14%
Energy efficiency fleet (TJ / million km)	100%	0%
Scope 1 GHG emissions (gross in ktCO ₂ e)	100%	0%
Scope 2 GHG emissions (gross in ktCO ₂ e)	97%	3%
Scope 3 GHG emissions (gross in ktCO ₂ e)	100%	0%
NO _x and PM ₁₀ emissions (scope 1 in kg)	100%	0%
NO _x emissions (scope 1 in g/km)	100%	0%
PM ₁₀ emissions (scope 1 in g/km)	100%	0%
Share of vehicles complying with Euro 6	100%	0%
Share of vehicles complying with Euro 5	100%	0%
ISO 14001 certification	100%	0%

3 Glossary and definitions

Absenteeism

The absenteeism percentage follows the definition of the Central Bureau for Statistics (CBS) in the Netherlands. It is calculated through the weighted days of absence divided by the total contractual working days. In this definition we correct for part-time employees.

ACM

Dutch Authority for Consumers and Markets.

Attract and retain people

Being an attractive employer for both new hires and existing employees enables us to develop our workforce in line with the development of our businesses. A smooth recruitment and application process is key to attract new colleagues in our operations. Specific competence focus for office functions helps us finding the right people in the labour market. Retention of employees helps creating stability and perspective of development.

Auditor

A chartered accountant (register accountant) or other auditor referred to in section 393 of book 2 of the Dutch Civil Code or an organisation in which such auditors work together.

Biogas

Biogas is broadly defined as gas consisting of or derived from biomass. Biogas consists of CO₂ that has recently been extracted from the atmosphere as a result of growing plants and trees, and therefore does not influence the CO₂ concentration in the atmosphere over a longer period of time. This is in contrast to fossil fuels, such as natural gas or crude oil, which are stored over millions of years so that their combustion and subsequent emissions do influence CO₂ levels in the atmosphere.

Business ethics

Moral principles serving as guidelines for business conduct of PostNL and the stakeholders we do business with. This includes aspects such as reliability, fair trade, respect and diversity, customer focus, neutrality and social responsibility.

Business travel

Business travel refers to all business-related travel for work, other than employee commuting, including travel by air.

Circular economy

Economic system based on closed loops, aimed at eliminating waste and the continual use of resources. Closed loops relate to reuse, sharing, repair, refurbishment, re-manufacturing and recycling. Consequently, the use of resource inputs and the creation of waste, pollution and carbon emissions will be minimised.

CO₂ efficiency

The CO₂ efficiency is the term used to express the relative impact of CO₂. In relation to the key performance indicators, this means the total net direct and indirect (scope 1 and scope 2) CO₂ emissions from our operations divided by the total number of kilometres transported from our own operations. The efficiency number is the grammes of CO₂ per kilometre transported.

Company cars

Company-owned or leased vehicles at the disposal of an employee for commuting and business travel.

Control effort

The additional effort required to achieve further risk mitigation.

Corporate governance

The OECD (see reference in this glossary) defines corporate governance as the system by which corporations are directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among different participants, such as the board, managers, shareholders and other stakeholders, and defines the rules and procedures for making decisions. In doing so, it also provides the structure by which company objectives are set and the means of attaining those objectives and monitoring performance.

Corporate responsibility (CR)

Corporate responsibility is the umbrella term for the obligation a company has to consider the social (corporate social responsibility) and environmental (sustainability) impact of its activities and to go beyond this obligation in the treatment of economic, environmental and social activities to sustain its operations, financial performance and ultimately its reputation.

COSO ERM 2017

2017 Enterprise Risk Management – Integrated Framework of the Committee of Sponsoring Organizations of the Treadway Commission.

Customer satisfaction

Customer satisfaction is an indicator of customer opinion towards the services we provided in the reporting period. We measure and categorise customer satisfaction into 'satisfied customers' and 'highly satisfied customers' through an online survey, which is carried out by an independent research company twice per year. The score is based on a questionnaire with multiple choice answers on a five-point scale (1 represents 'highly satisfied' and 5 'satisfied').

Cyber and physical security

Application of technologies, processes and controls to protect our systems, networks, processes, data as well as assets and people from unauthorised cyber and/or other attacks aimed for exploitation.

Data protection and privacy

The process of protecting PostNL's data and that of its stakeholders against inappropriate use. As data is becoming increasingly important in doing business, data protection and privacy involves striking the right balance between individual privacy rights and allowing data to be used for business purposes.

Delivery quality Mail in the Netherlands

Delivery of a consignment within the time frame set for the service in question. An independent research firm tests our delivery process, by sending traceable letters through our network. These letters are scanned along the entire sorting process, enabling us to identify any delays.

Delivery quality Parcels in the Netherlands

Delivery of a consignment within the time frame set for the service in question. The performance is measured from the first sorting scan in sorting centres until the day of the first delivery attempt. Collection and cross-docking (including temporary storage) is excluded. The scoping in relation to delivery days excludes pre-defined peak moments. The consignments in scope include those to be delivered by our parcel delivery services and at first attempt in the Netherlands. Therefore, the scope excludes returns (freepost), international parcels and letterbox parcels.

Digitalisation

This refers to the digital transformation of society in which digital information and communication play an increasingly important role in all facets of life. This is different from digitisation, which refers to the transformation of analogue information into digital information. This process is necessary for the processing, modelling, and storage of data.

Disabled employees

Disabled employees are employees on the payroll whose medical condition has been recognised by the relevant authorities as a disability.

Diversity and inclusion

PostNL is a diverse organisation with employees from different backgrounds and a wide variety of nationalities. The diversity of our workforce reflects the diversity seen across society and our customer and consumer base. At the same time, our employees expect us to provide a work environment where everyone feels safe and inclusive.

Dow Jones Sustainability Indices

Launched in 1999, the Dow Jones Sustainability Indices are the first global indices to track the financial performance of the leading sustainability-driven companies worldwide. They provide asset managers and other stakeholders with reliable and objective benchmarks for managing sustainability portfolios.

E-commerce

The online buying and selling of products and service by businesses and consumers.

E-commerce eco-system

An e-commerce ecosystem comprises a network of interconnected systems designed to assist companies as they conduct business over the internet. Some of the primary components include e-commerce platforms, online retailers, warehouse management systems, online marketplaces, and enterprise resource planning (ERP) systems.

Emission-free delivery

Emission-free delivery means the delivery of goods without CO₂ emissions. In relation to the key performance indicator, emission-free delivery means the delivery of letters and parcels, both by PostNL and by our delivery partners, from the last sorting activity before distribution to the final destination (last-mile) in the Benelux without CO₂ emissions. This also includes the collection of mail and parcels, but excludes transport by large trucks.

Employee engagement

Employee engagement refers to the share of employees (employed by PostNL for three months or more) who, based on the responses in the employee engagement survey are classified as 'engaged', 'motivated' or 'engaged and motivated' in relation to their job at PostNL. An 'engaged employee' is one who feels connected to the company and is enthusiastic about their work. A 'motivated' employee additionally actively aims to improve the company and its reputation. In 2019, PostNL changed its methodology. Scores are based on the responses to other questions compared to the previous method and the survey is now executed twice a year instead of annually.

Energy efficiency

The ratio of output of our operational and other processes, to the input of energy in our business. To become more energy efficient, our aim is to deliver the same output using less energy.

Environmental incident

An environmental incident is an incident that has led to the pollution of soil, water or air. This includes failures, breakdowns, floods, spillages, leaks and so forth. Environmental incidents are divided into on-site and off-site incidents. On-site incidents occur at sorting and delivery centres, hubs, offices and other locations owned, leased, rented or operated directly by PostNL. Off-site incidents occur away from sorting and delivery centres, hubs, offices and other locations owned, leased, rented or operated directly by PostNL.

European emission standards

Euro 4, Euro 5 and Euro 6 are mandatory European emission standards (EU directives) applicable to new road vehicles sold in the European Union. They define levels of vehicular emissions such as nitrogen oxides (NO_x) and particulate matter (PM₁₀).

Fair taxation

PostNL views taxes as an important matter for PostNL and its stakeholders. As such, a coherent, responsible and compliant approach towards tax is considered an integral part of doing business.

Fatal accidents

The death of any person because of an occupational accident. An occupational accident is an unexpected and unplanned occurrence, including acts of violence, arising out of or in connection with work activities performed for PostNL. It doesn't matter where the fatal accident has taken place or which person (employee or third party) is a casualty.

Full-time equivalents (FTEs)

FTEs refer to the total number of hours worked by the headcount divided by the local number of contract hours (e.g. 40 p/w or 196 p/m).

General data protection regulation (GDPR)

The GDPR is an EU regulation (Algemene Verordening Gegevensbescherming - AGV in Dutch) aiming to protect all EU citizens from privacy and data breaches in today's data-driven world. More can be found on <https://eugdpr.org/the-regulation/>

General Meeting of Shareholders

The meeting of shareholders and other persons entitled to attend meetings.

Global Reporting Initiative (GRI)

The GRI is a multi-stakeholder process and an independent institution whose mission is to develop and disseminate globally-applicable sustainability reporting guidelines for voluntary use by organisations that report on the economic, environmental and social dimensions of their business. The GRI incorporates participation of business, accountancy, investment, environmental, human rights and research and labour organisations from around the world. The GRI began in 1997 in partnership with the United Nations and became an independent body in 2002. It continues to collaborate with the United Nations Environment Programme and works with the United Nations Global Compact. For more information, see www.globalreporting.org.

Greenhouse Gas Protocol

The Greenhouse Gas Protocol (GHG Protocol) was established in 1998 to develop internationally-accepted accounting and reporting standards for greenhouse gas emissions of companies.

Group company

A group company as defined in article 2:24b of the Dutch Civil Code.

Headcount

Headcount is the number of employees on the payroll in active duty working for fully consolidated companies.

Health and safety

To promote and maintain the highest degree of physical, mental and social well-being of our people. This means creating a working environment that protects the health and safety of the people that work with and for PostNL aimed at preventing injuries and illness caused at work.

Human Rights

Human rights include the right to life and liberty, freedom from slavery and torture, freedom of opinion and expression, the right to work and education, and many more. Everyone is entitled to these rights, without discrimination.

IFRS

International Financial Reporting Standards.

IFRS-EU

IFRS, as adopted by the European Union.

Information and transparency

Inform stakeholders about our policies, business operations and activities, events and achievements with appropriate frequency and interact, both physically and digitally, with stakeholders based on their needs and PostNL's policies.

ISO (International Organization for Standardization)

The ISO is a network of national standards institutes from 146 countries working in partnership with international organisations, governments, industry, business and consumer representatives. The ISO is the source of ISO 9000 standards for quality management, ISO 14000 standards for environmental management and other international standards for business, government and society. For further information, see www.iso.org.

ISO 14001 (environmental management)

The ISO 14001 standards are international standards for controlling environmental aspects and improving environmental performance, minimising harmful effects on the environment and achieving continual improvements in environmental performance.

ISO 45001 (occupational health and safety management)

ISO 45001 is a standard for occupational health and safety management systems. It is intended to help organisations control occupational health and safety risks and was developed in response to widespread demand for a recognised standard for certification and assessment. ISO 45001 was created through the collaboration of several of the world's leading national standards bodies, certification organisations and consultancies.

ISO 9001 (quality management)

The ISO 9000 standards cover an organisation's practices in fulfilling customers' quality requirements and applicable regulatory requirements while aiming to enhance customer satisfaction and achieve continual improvement of its performance in pursuit of these objectives.

Key performance indicators (KPIs)

KPIs are measurements that focus on achieving outcomes critical to the current and future success of an organisation. These indicators should deal with matters that are linked to the organisation's mission and vision, and are quantified and influenced where possible.

Labour practices

Be a good employer by offering favourable work and labour conditions. This includes sound collective labour agreements, fair compensation, equal pay, facilitating personal development, stimulating collaboration and make improvements based on feedback.

Last-mile

The last part of the journey of a consignment to the receiving customer. This starts from the last distribution sorting moment and ends at the final destination. This may include transshipments to a depot as an intermediate step before final delivery.

Living wages

A living wage refers to a minimal income level that allows an individual or family to afford adequate shelter, food, and the other basic necessities. The goal of a living wage is to allow employees to earn enough income for a satisfactory standard of living and to prevent them from falling into poverty.

Management positions

Management positions refer to people who hold a leadership position, of which we identify three types: Operational, middle and senior management. Operational management is defined as employees with leadership functions in junior positions. Senior management refers to employees with leadership functions in senior positions. Middle management refers to positions between junior and senior management.

Materiality

Information is material if errors, omissions or incorrect presentation can influence the evaluation or decisions of users of the information.

Non-financial information

All information other than financial information is non-financial information. This includes, but is broader than terms PostNL used before, such as Corporate Responsibility (CR) Information.

NO_x

NO_x (NO and NO₂) refers to nitrogen oxides. Nitrogen oxides are produced during combustion, especially at high temperatures.

Number of supervisory positions

According to Dutch law, the number of supervisory positions that managing and Supervisory Board members may hold in certain companies is limited (article 2:132a of the Dutch Civil Code for managing board members and article 2:142a of the Dutch Civil Code for Supervisory Board members). Since 1 January 2013 a person is prohibited from being appointed member of the Supervisory Board of more than five so-called large entities (including PostNL), whereby a chair position counts twice. Existing positions are exempt, but if they exceed five, they must be reconsidered at the moment of (re)appointment. Board members holding more than the maximum number of positions on 1 January 2013 are not obliged to resign from these positions, but positions must be reconsidered at the time of reappointment.

OECD

Organisation for Economic Co-operation and Development.

Omnichannel

An omnichannel organisation is one that focuses on the customer, without being dependent on time, place and channel. Customers experience a consistent experience across all channels because the organisation provides relevant and immediately available information and content.

Parcel

Goods to be transported by a distribution company, weighing up to approximately 30 kg.

PM₁₀

Particulates, alternatively referred to as particulate matter (PM), such as fine particles and soot, are tiny subdivisions of solid matter suspended in a gas or liquid. The notation PM₁₀ is used to describe particles of 10 micrometres or less.

Pollution to air, land and water

Air pollution: The presence of chemical substances in the atmosphere at levels which are harmful to the health of humans and other living beings, or cause damage to the climate or to materials. The activities and actions required to manage waste from its inception to its final disposal.

Waste pollution: Waste management forms part of our certified environmental management system and is bound to (local) regulations. We do not only focus on our own waste, we also engage with suppliers and customers about the topic, for example in relation to sustainable packaging.

Water pollution: The consumption and (quality of) discharges of water can influence ecosystems. Ensuring availability and sustainable management of water and sanitation for all is one of the Sustainable Development Goals. Therefore, pollution is a topic of discussion with specific stakeholders.

PostNL (Group)

PostNL N.V. and its Group companies.

PostNL N.V.

A public limited liability company incorporated under the laws of the Netherlands, listed on the Amsterdam Stock Exchange, with its statutory seat in The Hague, the Netherlands, and its registered office at Waldorpstraat 3, 2521 CA The Hague, the Netherlands, until 31 May 2011 named TNT N.V.

Progress on transformation

When we talk about progress on transformation we means the progress we make to become the logistics and postal service provider in the Benelux. We monitor our progress by measuring the share of Parcels revenues from contracts with customers compared to the total revenue of PostNL.

Quality of services

Performance of our core and supporting processes measured against quantitative and qualitative expectations of customers.

Recordable accident

Work-related accident that results in an injury with a physical impact beyond first aid, or loss of consciousness.

Reputation score

Reputation is a perception about the degree of admiration, positive feelings, esteem and trust an individual has for an organisation. Reputation is rooted in an assessment of the performance of an organisation over time, including in the past and with expectations about the future. Our reputation score is measured quarterly by the Reputation Institute, which measures reputation across stakeholders, countries and industries. It tracks 23 key performance indicators grouped around seven core dimensions.

Responsible supply chain

Cooperation with suppliers on sustainable development about economic, social and environmental matters, both from a risk and opportunity perspective.

Retail location

A retail location is a location where goods or services are sold directly to consumers. In the context of PostNL for the Annual Report, this includes retail shops, business points, parcel points and post offices. A PostNL location in a retail shops is also referred to as retail point.

Return on invested capital

We use capital investments to develop our business, such as new sorting centres or IT systems. These investments are aimed at generating value for PostNL and our stakeholders. We monitor the return on invested capital to evaluate and improve the effectiveness of our capital allocation to value generating investments.

Sustainable city logistics

Realising sustainable future growth in collection and delivery in cities requires changes to current business models. We work together with a range of partners to reduce logistic movements by consolidating shipments to enable efficient last-mile delivery. We are also working to electrify last-mile transport, such as using light electric freight vehicles (LEFV) to minimise nuisance, reduce carbon emissions, and improve air quality in urban areas.

Sustainable electricity

Sustainable is electricity from 'green' or 'renewable' sources, such as solar, wind, geothermal, biomass, hydroelectric and ocean energy, purchased during the reporting period for power and lighting of all company locations (where this can be established from utility suppliers' invoices or other means). It does not include nuclear electricity.

Sustainable financing

PostNL uses different sources of funding. We link our sustainability strategy and our long term Science-Based Targets to these different sources of funding via a pre-determined allocation of the proceeds or via a KPI linked incentive on the interest paid. Thereby embedding our commitment to sustainability even more.

TNT Express

The former public limited liability company which was demerged from TNT N.V. on 31 May 2011 and until 25 May 2016 the ultimate parent company of the former express activities of TNT N.V. On 25 May 2016 it was acquired by FedEx, and subsequently delisted from the Amsterdam Stock Exchange on 4 July 2016.

Total shareholder return

The profit or loss from net share price change plus any dividends received over a given period.

UPU

The Universal Postal Union is a specialised agency of the UN and is the primary forum for cooperation between postal sector players worldwide.

USO

Universal Service Obligation. The designation as Universal Service Provider obliges PostNL to collect and deliver domestic mail and parcels five days a week (mourning cards and medical post six days a week), and to provide for cross-border mail and parcels according to the Universal Postal Union (UPU) rules.

Working days

The total number of individually-calculated working days adjusted for overtime, leave or similar deviations.

Working hours

The total number of individually-calculated working hours adjusted for overtime, leave or similar deviations.

4 GRI Content Index

PostNL General disclosures

Indicatornr.	Indicator	Details/reference
Organisational profile		
102-1	Name of the organization	PostNL N.V.
102-2	Activities, brands, products, and services	Chapter 'At a glance' ; Chapter 'Customer value'
102-3	Location of headquarters	Waldorpstraat 3, 2521 CA The Hague, the Netherlands
102-4	Location of operations	Chapter 'Our operating context' ; Chapter 'How we create value' ; Chapter 'Our strategy'
102-5	Ownership and legal form	Chapter 'PostNL on the capital markets'
102-6	Markets served	Chapter 'Our operating context' ; Chapter 'How we create value' ; Chapter 'Customer value'
102-7	Scale of the organization	Chapter 'At a glance' ; Chapter 'Social value' ; Chapter 'Financial value' ; Chapter 'Financial statements' ; Chapter 'Non-financial statements'
102-8	Information on employees and other workers	Chapter 'Social value' ; Chapter 'Non-financial statements'
102-9	Supply chain	Chapter 'Our operating context' ; Chapter 'How we create value' ; Chapter 'Our strategy' ; Chapter 'Customer value' ; Chapter 'Environmental value' ; Chapter 'Non-financial statements' . PostNL's main suppliers are external delivery partners. Our supply chain is mainly locally organised.
102-10	Significant changes to the organization and its supply chain	Chapter 'Our strategy'
102-11	Precautionary Principle or approach	Chapter 'Risk and opportunity management' . We have not formally adopted the precautionary principle but we systematically assess and manage environmental, safety, supply chain, operational, and other risks as described throughout this report. We hold risk workshops throughout the year and have an internal control framework in place to mitigate risks for financial as well as for non-financial reporting.
102-12	External initiatives	Chapter 'Non-financial statements' , Reporting principles
102-13	Membership of associations	We participate in several branche organisations: IPC, PostEurope, UPU. Contributions to (international) trade associations were 2.2 million euro in 2021.
Strategy		
102-14	Statement from senior decision-maker	Chapter 'Interview with Herna Verhagen'
102-15	Key impacts, risks, and opportunities	Chapter 'How we create value' Chapter 'Our strategy' Chapter 'Opportunity and risk management'
Ethics and integrity		
102-16	Values, principles, standards, and norms of behavior	Chapter 'Our strategy' ; Chapter 'Risk and opportunity management' , Business conduct and integrity
102-17	Mechanisms for advice and concerns about ethics	Chapter 'Corporate governance'
Governance		
102-18	Governance structure	Chapter 'Corporate governance'
102-19	Delegating authority	Chapter 'Corporate governance'
102-20	Executive-level responsibility for economic, environmental, and social topics	Chapter 'Corporate governance'
102-21	Consulting stakeholders on economic, environmental, and social topics	Chapter 'Corporate governance'

Indicator nr.	Indicator	Details/reference
102-22	Composition of the highest governance body and its committees	Chapter 'Corporate governance'
102-23	Chair of the highest governance body	PostNL does not have a unitary board structure.
102-24	Nominating and selecting the highest governance body	Chapter 'Corporate governance'
102-25	Conflicts of interest	Chapter 'Corporate governance' . No conflicts of interest occurred.
102-26	Role of highest governance body in setting purpose, values, and strategy	Chapter 'Corporate governance'
102-27	Collective knowledge of highest governance body	Chapter 'Report of the Supervisory Board'
102-28	Evaluating the highest governance body's performance	Chapter 'Corporate governance'
102-29	Identifying and managing economic, environmental, and social impacts	Chapter 'Report of the Supervisory Board'
102-30	Effectiveness of risk management processes	Chapter 'Corporate governance'
102-31	Review of economic, environmental, and social topics	Chapter 'Corporate governance'
102-32	Highest governance body's role in sustainability reporting	Chapter 'Corporate governance'
102-33	Communicating critical concerns	Chapter 'Corporate governance'
102-34	Nature and total number of critical concerns	There were no critical concerns in 2021.
102-35	Remuneration policies	Chapter 'Remuneration report'
102-36	Process for determining remuneration	Chapter 'Corporate governance'
102-38	Annual total compensation ratio	Chapter 'Remuneration report' . We report on the ratio of the annual total compensation for the organisation's highest-paid individual compared to the average annual total compensation for all employees. This reporting is in line with the Dutch Corporate Governance Code. As such we do not report on a ratio based on the median of the annual total compensation for all employees.
102-39	Percentage increase in annual total compensation ratio	Chapter 'Remuneration report' . We report on the ratio of the annual total compensation for the organisation's highest-paid individual compared to the average annual total compensation for all employees. This reporting is in line with the Dutch Corporate Governance Code. As such we do not report on a ratio based on the median of the annual total compensation for all employees.
Stakeholder Engagement		
102-40	List of stakeholder groups	Chapter 'Our operating context' ; Chapter 'Non-financial statements', Basis of preparation
102-41	Collective bargaining agreements	Chapter 'Our operating context' ; Chapter 'Non-financial statements', Social value performance indicators
102-42	Identifying and selecting stakeholders	Chapter 'Our operating context' ; Chapter 'Non-financial statements', Basis of preparation
102-43	Approach to stakeholder engagement	Chapter 'Our operating context' ; Chapter 'Non-financial statements', Basis of preparation
102-44	Key topics and concerns raised	Chapter 'Our operating context' ; Chapter 'Non-financial statements', Basis of preparation
Reporting practice		
102-45	Entities included in the consolidated financial statements	Chapter 'Financial statements' . A complete list of investments in subsidiaries, associated companies and jointly-controlled entities will be attached to the company's annual report made available to the Chamber of Commerce.
102-46	Defining report content and topic Boundaries	Chapter 'Non-financial statements', Reporting criteria
102-47	List of material topics	Chapter 'Our operating context'
102-48	Restatements of information	Chapter 'Non-financial statements', Safeguarding report quality

Indicator nr.	Indicator	Details/reference
102-49	Changes in reporting	Chapter 'Our operating context', Stakeholder engagement and materiality; Chapter 'Non-financial statements', Reporting criteria
102-50	Reporting period	Full calendar year 2021
102-51	Date of most recent previous report	1 March 2021
102-52	Reporting cycle	Annual
102-53	Contact point for questions regarding the report	Please send us your comments by e-mail to corporatecommunications@postnl.nl or by sending a letter to PostNL Annual Report team: P.O. Box 30250, 2500 GG The Hague, The Netherlands
Claims of reporting in accordance with the GRI		
102-54	Standards	The scope of the report is part of the Assurance report of the independent auditor.
102-55	GRI content index	
102-56	External assurance	Chapter 'Non-financial statements', Safeguarding report quality
102-37	Stakeholders' involvement in remuneration	Chapter 'Remuneration report'. The views on stakeholders are sought indirectly through the stakeholder dialogues we have held.

PostNL Topic specific disclosures

GRI Standard	Name of standard	Reference, explanation, omission
Customer experience		
103-1	Explanation of the material topics and its Boundary	Chapter 'Customer value'; Chapter 'Non-financial statements', Reporting criteria
103-2	The management approach and its components	Chapter 'Customer value'
103-3	Evaluation of the management approach	Chapter 'Customer value'; Chapter 'Non-financial statements', Safeguarding report quality
PNL-1 Key	Highly satisfied customers	Chapter 'Customer value'; Chapter 'Non-financial statements', Customer value performance indicators
PNL-2 Key	Satisfied customers	Chapter 'Customer value'; Chapter 'Non-financial statements', Customer value performance indicators
PNL-3 Key	Delivery quality Parcels in the Netherlands	Chapter 'Customer value'; Chapter 'Non-financial statements', Customer value performance indicators
E-commerce growth		
103-1	Explanation of the material topics and its Boundary	Chapter 'Customer value'; Chapter 'Non-financial statements', Reporting criteria
103-2	The management approach and its components	Chapter 'Customer value'
103-3	Evaluation of the management approach	Chapter 'Customer value'; Chapter 'Non-financial statements', Safeguarding report quality
PNL-1	Volume development Parcels	Chapter 'Customer value'; Chapter 'Non-financial statements', Customer value performance indicators
Engaged people		
103-1	Explanation of the material topics and its Boundary	Chapter 'Social value'; Chapter 'Non-financial statements', Reporting criteria
103-2	The management approach and its components	Chapter 'Social value'
103-3	Evaluation of the management approach	Chapter 'Social value'; Chapter 'Non-financial statements', Safeguarding report quality
PNL-4 Key	Employee engagement	Chapter 'Social value'; Chapter 'Non-financial statements', Social value performance indicators
PNL-5 key	Absenteeism	Chapter 'Social value'; Chapter 'Non-financial statements', Social value performance indicators
401-1	New employee hires and employee turnover	Chapter 'Non-financial statements', Social value performance indicators

GRI Standard	Name of standard	Reference, explanation, omission
403-2	Types of injury and rates of injury, occupational diseases, lost days and absenteeism, and number of work-related fatalities	Chapter 'Non-financial statements', Social value performance indicators. Occupational diseases and lost days are not applicable for PostNL as this does not provide useful management information about Health and Safety at PostNL. Information about 'Absenteeism' and working days of workers beyond our own employees is unavailable for PostNL, we only report these indicators for our own employees.
404-1	Average hours of training per year per employee	Chapter 'Non-financial statements', Social value performance indicators
405-1	Diversity of governance bodies and employees	Chapter 'Corporate governance', Diversity; Chapter 'Non-financial statements', Social value performance indicators
Relevance of physical mail		
103-1	Explanation of the material topics and its Boundary	Chapter 'Customer value'; Chapter 'Non-financial statements', Reporting criteria
103-2	The management approach and its components	Chapter 'Customer value'
103-3	Evaluation of the management approach	Chapter 'Customer value'; Chapter 'Non-financial statements', Safeguarding report quality
PNL-6 Key	Delivery quality Mail in the Netherlands	Chapter 'Customer value'; Chapter 'Non-financial statements', Customer value performance indicators
Financial performance and position		
103-1	Explanation of the material topics and its Boundary	Chapter 'Financial value'; Chapter 'Non-financial statements', Reporting criteria
103-2	The management approach and its components	Chapter 'Financial value'
103-3	Evaluation of the management approach	Chapter 'Financial value'; Chapter 'Non-financial statements', Safeguarding report quality
PNL-7 Key	Revenue	Chapter 'Financial value'
PNL-8 Key	Normalised EBIT	Chapter 'Financial value'
PNL-9 Key	Free cash flow	Chapter 'Financial value'
201-1	Direct economic value generated and distributed	Chapter 'Financial statements', Consolidated primary statements
201-2	Financial implications and other risks and opportunities due to climate change	Chapter 'Risk and opportunity management', Strategic risks
201-3	Defined benefit plan obligations and other retirement plans	Chapter 'Financial statements', Provisions for pension liabilities
Sustainable logistics		
103-1	Explanation of the material topics and its Boundary	Chapter 'Environmental value'; Chapter 'Non-financial statements', Reporting criteria
103-2	The management approach and its components	Chapter 'Environmental value'
103-3	Evaluation of the management approach	Chapter 'Environmental value'; Chapter 'Non-financial statements', Safeguarding report quality
PNL-10 Key	CO ₂ efficiency	Chapter 'Environmental value'; Chapter 'Non-financial statements', Environmental value performance indicators
302-1	Energy consumption within the organisation	Chapter 'Non-financial statements', Environmental value performance indicators
302-2	Energy consumption outside of the organisation	Chapter 'Non-financial statements', Environmental value performance indicators
302-3	Energy intensity	Chapter 'Non-financial statements', Environmental value performance indicators
302-4	Reduction of energy consumption	Chapter 'Non-financial statements', Environmental value performance indicators
302-5	Reductions in energy requirements of products and services	Chapter 'Non-financial statements', Environmental value performance indicators
305-1	Direct (scope 1) GHG emissions	Chapter 'Non-financial statements', Environmental value performance indicators
305-2	Energy indirect (scope 2) GHG emissions	Chapter 'Non-financial statements', Environmental value performance indicators
305-3	Other indirect (scope 3) GHG emissions	Chapter 'Non-financial statements', Environmental value performance indicators
305-4	GHG emissions intensity	Chapter 'Non-financial statements', Environmental value performance indicators

GRI Standard	Name of standard	Reference, explanation, omission
305-7	Nitrogen oxides (NO _x), sulfur oxides (SO _x), and other significant air emissions	Chapter 'Non-financial statements', Environmental value performance indicators
Emission free delivery		
103-1	Explanation of the material topics and its Boundary	Chapter 'Environmental value'; Chapter 'Non-financial statements', Reporting criteria
103-2	The mangement approach and its components	Chapter 'Environmental value'
103-3	Evaluation of the management approach	Chapter 'Environmental value'; Chapter 'Non-financial statements', Safeguarding report quality
PNL-11 Key	Share of emission-free last-mile delivery	Chapter 'Environmental value'; Chapter 'Non-financial statements', Environmental value performance indicators
Digitalisation and data		
103-1	Explanation of the material topics and its Boundary	Chapter 'Customer value'; Chapter 'Non-financial statements', Reporting criteria
103-2	The mangement approach and its components	Chapter 'Customer value'
103-3	Evaluation of the management approach	Chapter 'Customer value'; Chapter 'Non-financial statements', Safeguarding report quality
	No key performance indicator yet available	The performance indicator for this new key material topic is in development

5 UN Global Compact reference table

PostNL Global compact principles

UN Global Compact principle	Reference
1. Support and respect the protection of internationally proclaimed human rights	Chapter 'Social value', Respecting Human Rights
2. Make sure that they are not complicit in human rights abuses	Chapter 'Social value', Respecting Human Rights
3. Uphold the freedom of association and the effective recognition of the right to collective bargaining	Chapter 'Social value', Respecting Human Rights; Chapter 'Social value', Collective labour agreements
4. Uphold the elimination of all forms of forced and compulsory labour	Chapter 'Social value', Respecting Human Rights
5. Uphold the effective abolition of child labour	Chapter 'Social value', Respecting Human Rights
6. Uphold the elimination of discrimination in respect of employment and occupation	Chapter 'Social value', Respecting Human Rights
7. Support a precautionary approach to environmental challenges	Chapter 'Environmental value'
8. Undertake initiatives to promote greater environmental responsibility	Chapter 'Environmental value'; Chapter 'Non-financial statements', Environmental performance indicators
9. Encourage the development and diffusion of environmentally friendly technologies	Chapter 'Environmental value'
10. Work against corruption in all its forms, including extortion and bribery	Chapter 'Risk management', Risk and opportunity management

6 Summary of key figures

All numbers presented in this appendix are the reported numbers in the respective Annual Reports of 2017 till 2021, unless restated in a later year. Revenues have been represented for adjusted segment reporting and the impact of the discontinued operations in Italy and Germany in 2018.

PostNL Key figures in € million, unless indicated otherwise

2017 - 2021

	2017	2018	2019	2020	2021
Financial performance					
Revenue					
Parcels	1,382	1,555	1,672	2,052	2,361
Mail in the Netherlands	1,783	1,678	1,606	1,708	1,683
PostNL	2,725	2,772	2,844	3,255	3,466
Normalised EBIT					
Parcels	not reported	121	120	209	230
Mail in the Netherlands	not reported	130	52	96	160
PostNL Other	not reported	(45)	(37)	(55)	(81)
PostNL	not reported	206	135	250	308
Normalised EBIT margin					
Parcels	not reported	7.8%	7.2%	10.2%	9.7%
Mail in the Netherlands	not reported	7.7%	3.2%	5.6%	9.5%
PostNL	not reported	7.4%	4.7%	7.7%	8.9%
Profit for the year	148	33	4	216	258
Earnings per share (in € cents)	33.0	7.1	0.8	43.8	50.9
Profit from continuing operations	179	127	72	213	228
Normalised comprehensive income	not reported	182	83	200	285
Free cash flow	not reported	(21)	107	186	288
Adjusted net debt	not reported	(614)	(736)	(407)	(203)
Consolidated equity	34	46	(21)	211	426
Month-end coverage ratio main pension fund	115.8%	112.1%	113.4%	111.1%	126.2%
12-months avg coverage ratio main pension fund	113.4%	116.0%	110.6%	104.4%	121.4%

	2017	2018	2019	2020	2021
Operational performance					
Parcels					
Parcel volume (in millions of items)	207	251	283	337	384
Parcel volume growth	17.2%	21.5%	12.4%	19.2%	13.8%
Delivery quality	99%	98%	98%	99%	98%
Mail in the Netherlands					
Addressed mail volume (in million items)	1,994	1,781	1,742	2,054	2,048
Addressed mail volume growth/(decline)	(9.9%)	(10.7%)	(2.2%)	17.9%	(0.3%)
Adjusted addressed mail volume (in million items) ¹			2,271	2,054	2,048
Adjusted addressed mail volume decline ¹			(9.7%)	(9.6%)	(0.3%)
Delivery quality (2021 preliminary)	95%	95%	94%	94%	94%
Non-financial performance					
Share of highly satisfied customers	41%	30%	27%	37%	34%
Share of engaged employees	not comparable	not comparable	76%	84%	84%
CO ₂ efficiency (in grammes per km)	226	231	245	249	203
Share of emission-free delivery of mail and parcels in the last-mile	not reported	17%	19%	20%	20%

¹ 2019 pro forma, including full year of Sandd volumes

We look forward to receive feedback on this report

Please send us your comments by e-mail to

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Gerard van Bree: page 51, 56

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