



Annual Report

Capturing growth, delivering value

POST- & PAKKETBEZORGER
BEDANKT
EN ALLIJV GEZOND!



lieve bezorger,
Omdat je ondanks deze
geroeve tijd, toch ook
door gaat met
werk, hebben we
Klanguedje voor
wacht dat we
jullie nu
groetjes
re: 11
pe
we hebben ze.

POST- & PAKKETBEZORGER
BEDANKT

Bezorgers en koeriers

Dankjulliewel voor wat jullie
doen.

Zonder jullie waren we in deze
corona-tijd nergens!

BEDANKT

(BE)ZORGERS
ENKE HELDEN

hulpverleners zijn er in alle soorten en
categorieën.
Op dit moment is het bezorgen van post en
super belangrijk.
Het zijn lichtpuntjes die van betekenis zijn voor
veel (eenzame) mensen. Dus voor jou en alle
andere postbikkels deze kaart met dank voor
het bezorgen van al die brieven, pakketjes, kaarten
en
(ik ben blij dat je nu niet thuis zit!)
liefs Geert



Maak een foto met je
leukste bezorger
Dank U

WELKOMME FRIENDS
VOOR DE BEZORGER,
DIE NU HARD DOOR-
WERKT EN HET ZO
VOOR ONS HANDELT...
THEN (Omdat hij ons
DE DEUR NAAR HET
HOEVEN)
DANK U
EET STREK

Beste bezorger van de wereld,
Dank je wel voor je
werkzaamheden. Het is heel
dag de
Veel succes en veel plezier!



BEDANKT
DOOR
CODE

BESTE BEZORGER
WIJ ZIJN
DANKBAAR DAT
JULLIE DOORGAAN
MET JULLIE
ONMISBAAR WERK



How to read this report

Management summary

Readers looking for the highlights of 2020 are advised to read chapter 1 until 6, and the first pages of chapter 7 until 10.

Report of the Board of Management

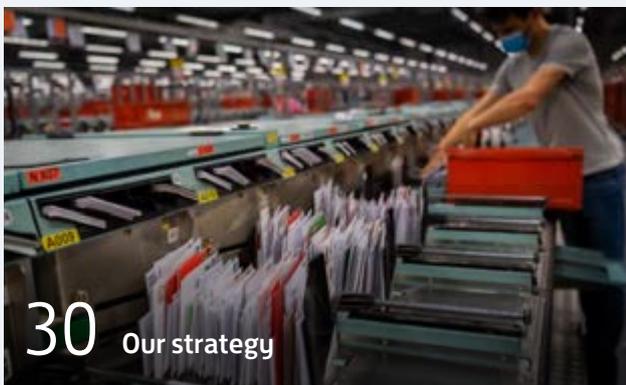
The report of the Board of Management consists of the following sections:

- Introduction
- Business Report
- Governance, chapter 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.

Contents



Introduction

1	At a glance	4
2	Message from Herna Verhagen	8
3	Our operating context	12
4	Impact of Covid-19	20

Business Report

5	How we create value	24
6	Our strategy	30
7	Customer value	40
8	Social value	54
9	Environmental value	64
10	Financial value	72
11	Risk and opportunity management	80

Governance

12	Board of Management	92
13	Supervisory Board	94
14	Report of the Supervisory Board	96
15	Remuneration report	102
16	Corporate governance	110
17	Our tax policy and principles	120
18	PostNL on the capital markets	122
19	Statements of the Board of Management	126

Performance statements

20	Financial statements	129
21	Non-financial statements	213
22	Other information	237

Appendices

Other non-financial performance indicators	252
Data coverage table	253
Glossary and definitions	254
GRI Content Index	260
UN Global Compact reference table	265
Summary of key figures	266



Introduction

3

At a glance	4
Message from Herna Verhagen	8
Our operating context	12
Impact of Covid-19	20

At a glance

Key figures (at year-end)

Average number of letters delivered per working day
(in the Netherlands, incl. Sandd)

8.1 million



Average number of parcels delivered per working day
(in the Benelux)

1.1 million



Number of PostNL employees

40,541



Total kilometres transported in the Benelux
(on average per calendar day)

> 1.1 million



Around the world by foot and bike (in the Netherlands)

> 1,200 times



Sorting centres
(in the Netherlands, 25 parcel, 5 mail, 1 international)

31



Letter boxes
(in the Netherlands)

11,403



Retail locations
(in the Benelux)

4,286



Number of solar panels on our buildings

25,208



Unique PostNL accounts

6.0 million



Online visits to postnl.nl

779 million

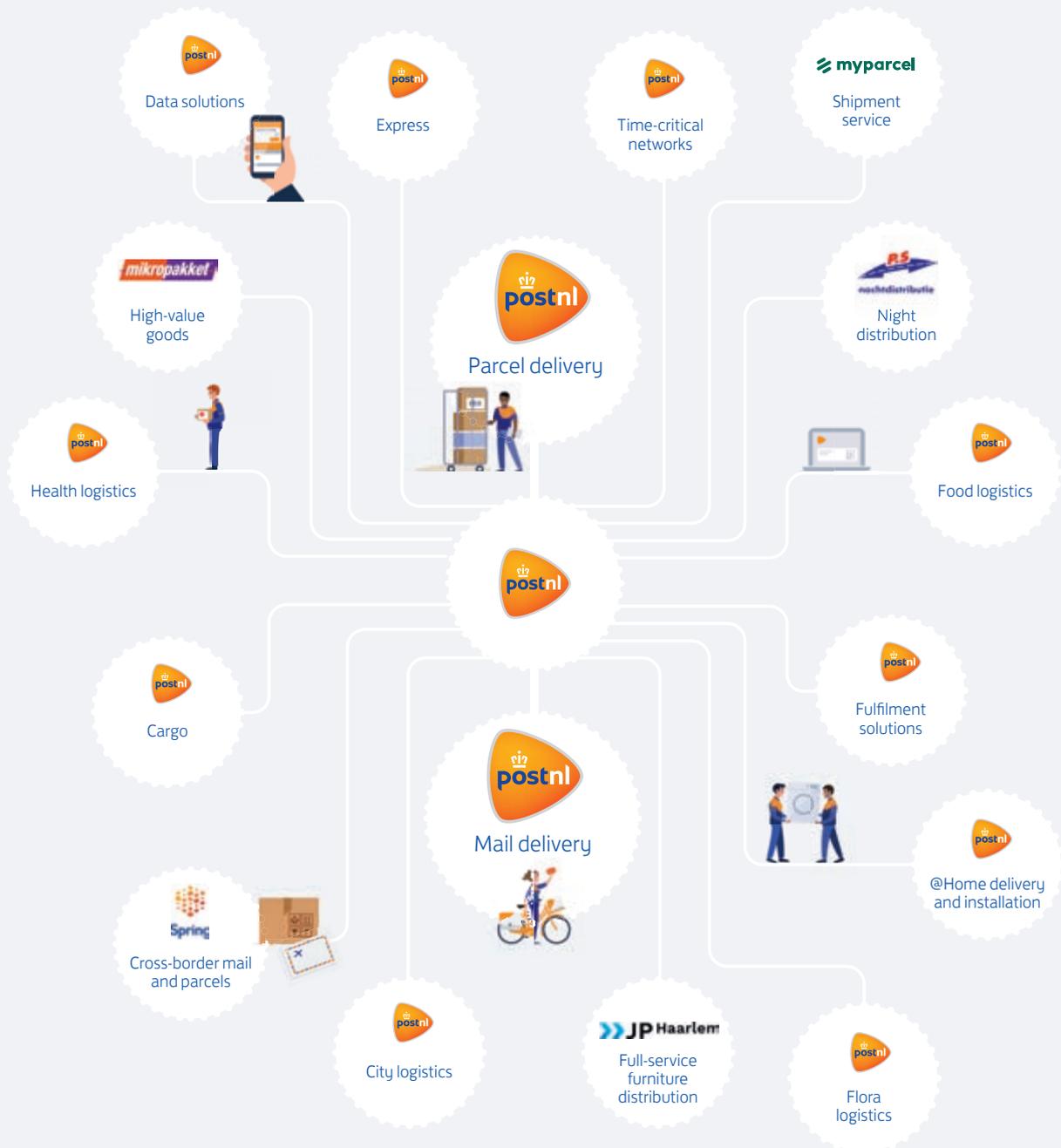


Active business customers on mijnpostnl.nl

92,607



Overview of our network and services



Performance 2020

in € million, unless indicated otherwise	2019	2020	change
Results			
Revenue	2,844	3,255	14%
Normalised EBIT	135	245	81%
Profit for the year	4	213	
Profit from continuing operations	72	209	190%
Normalised comprehensive income	83	197	137%
Free cash flow	107	186	74%
Closing balance positions			
Adjusted net debt	(736)	(407)	45%
Consolidated equity	(21)	219	
Cash and cash equivalents	480	651	36%
Operational results			
Parcel volume (in million items)	283	337	19%
Parcel volume growth	12.4%	19.2%	
Addressed mail volume (in million items)	1,742	2,054	18%
Addressed mail volume decline	(2.2%)	17.9%	
Adjusted addressed mail volume (in million items) ¹	2,271	2,054	(10%)
Adjusted addressed mail volume decline ¹	(9.7%)	(9.6%)	
Ratios			
Normalised EBIT margin	4.7%	7.5%	+2.8%
Earnings per share (in € cents)	0.8	43.0	
Leverage ratio (adjusted net debt/EBITDA)	2.6	1.0	62%
Return on invested capital	7.5%	17.2%	+9.7%

¹ 2019 pro forma, including full year of Sandd volumes

6

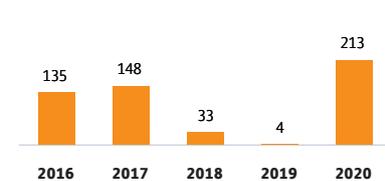
Revenue

in € millions



Profit for the year

in € millions



Earnings per share

in € cents

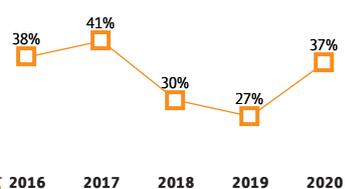


in percentage, unless indicated otherwise

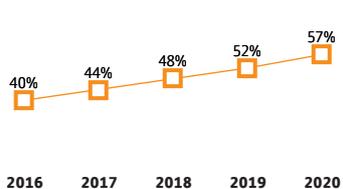
	2019	2020	change
Customer value			
Share of highly satisfied customers	27%	37%	+10%
Share of satisfied customers	80%	83%	+3%
Delivery quality Mail in the Netherlands (2020 preliminary)	94%	94%	+0%
Delivery quality Parcels in the Netherlands	98%	99%	+1%
Share of e-commerce revenue	52%	57%	+5%
Social value			
Share of engaged employees	76%	84%	+8%
Share of females in management positions	22%	23%	+1%
Share of females in senior management positions	27%	28%	+1%
Absenteeism (share of total working days)	5.4%	5.9%	+0.5%
Recordable accidents (per 100 FTE)	4.2	4.0	(0.2)
Environmental value			
CO ₂ efficiency improvement (scope 1 and 2; base year 2017)	(8%)	(10%)	(2%)
Share of emission-free delivery of mail and parcels in the last-mile	19%	20%	+1%

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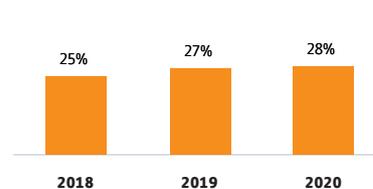
Share of highly satisfied customers



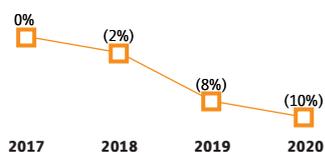
Share of e-commerce revenue



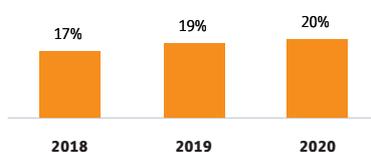
Share of females in senior management positions

CO₂ efficiency improvement

(scope 1 and 2; base year 2017)

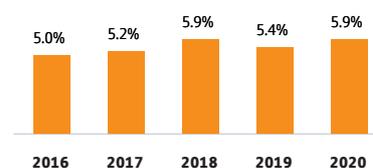


Share of emission-free delivery of mail and parcels in the last-mile



Absenteeism

(% of total working days)



Message from Herna Verhagen



Some years just go by and are forgotten quickly. The year 2020 is certainly not one of those. It will be stored in our collective memory for a long time. Although the world has had to deal with more pandemics in recent decades, the impact of Covid-19 surpassed our imagination. It affected literally everyone, both in our private lives and at work. We had to adapt to social distancing measures to help contain the spread of the virus. Some of us fell ill. Some of us lost family members, friends or colleagues. And we had to adapt to a new set of rules, limiting our freedom to live, work and move around.

Health and safety always came first

Throughout the pandemic our first priority always was, and still is, the health and safety of our people, partners and consumers. In March, we were quick to implement the necessary distance measures and to provide physical and hygiene means across all of our locations. While the infection rate among our workforce

generally developed in line with national trends, I'm proud to say that we were able to keep our operations running at all times. From mid-March, we asked our colleagues in office jobs to work from home. As much as we miss working together and seeing each other on a daily basis, our people and our teams have proven they are able to work successfully together from home.

Thanks to the dedication and focus of our people and the resilience of our business in these challenging circumstances, we were able to play a vital role in society, creating value for our key stakeholders: customers, consumers, employees, shareholders and society at large. This was reflected in our reputation score, which increased considerably in 2020. Customer satisfaction and employee engagement also improved, as we connected people, companies and communities through our uninterrupted delivery of parcels, mail and logistic solutions.

This helped us make great progress in realising our ambition of being the favourite deliverer in, to and from the Benelux. Although we incurred additional costs to make our operational processes Covid-19 proof, we managed our business effectively, leading to financial results well above our guidance. This improved financial position enables us to reinstate dividend for our shareholders ahead of schedule.

Highlights of our business performance in 2020

The pandemic led to a number of key market developments. The first was unprecedented volume growth at Parcels, driven by the acceleration of online shopping. E-commerce growth picked up significantly and the transition from offline to online accelerated. The number of first-time online buyers increased and the share of existing medium and heavy online shoppers grew.

Despite the demands we faced implementing the required changes in processes and working with social distancing, we were able to significantly scale up capacity at Parcels throughout 2020, as we responded to steep volume growth and delivery peaks. For the first time in history, we passed the volume mark of delivering 300 million parcels in the Netherlands and Belgium. With peak days of 1.7 million parcels occurring almost each day during the festive season, beginning with Black Friday, we delivered a record 337 million parcels in 2020, an increase of almost 20% on 2019. Part of this growth was related to specific, non-recurring, consumer spending as a result of Covid-19.

Growth was visible across almost all segments and products, especially among small- and mid-sized e-tailers, and we also saw steep growth within Belgium. Despite the challenges of the social distancing measures and the sometimes extreme peak pressure, delivery quality at Parcels remained high throughout the year, at 99% across our sorting and delivery processes.

Performance at Mail in the Netherlands was marked by additional volume decline related to Covid-19 in the first half of the year, exceptionally high consumer mail volumes in the fourth quarter, and the consolidation of Sandd. This milestone was completed on 1 February and we are ahead of schedule in delivering the anticipated benefits and synergies. There can be no doubt about the necessity of consolidating the mail networks as we were able to do. It remains the only way to keep postal services accessible, reliable and affordable for everyone across the Netherlands. It created a stable foundation for the future, in which we will continue to balance the ongoing volume decline with cost savings and moderate pricing.

We saw a revival of the importance of physical consumer-to-consumer mail, as people sent more greetings cards in the first weeks of the pandemic, and more gifts and Christmas cards towards the end of the year. However, there was also a steep decline in bulk

mail volumes as direct mail campaigns were postponed, and a steep reduction in international mail as borders closed and flights were grounded. Quality at Mail in the Netherlands was impacted by the measures taken to combat the pandemic. As a result, we delivered over 94% of consumer mail by the next delivery day, which was below our 95% target.

We saw strong revenue growth at Spring, boosted by accelerating e-commerce-related revenue both in Asia and Europe, and at our other logistic solutions, which helped contribute to our strong financial performance.

Exceptional year, outstanding performance

Although the pandemic had a major impact on our results, it is important to note that the strategic steps we took in 2019 and 2020 provided a strong foundation for this year's outstanding operational and financial performance. These include our initiatives to improve the operational leverage of our Parcels business, as announced at the Capital Markets Day in May 2019; the consolidation of mail networks; the agreement regarding transitional pension plans with the pension fund; the sale-and-leaseback transaction of five sorting centres; the divestments of Postcon and Nexive and a number of smaller businesses in the Netherlands, as well as our disciplined working capital approach during the year.

In this extraordinary year, PostNL delivered an exceptional financial performance of €245 million in normalised EBIT and a strong free cash flow of €186 million, well ahead of our expectations at the beginning of the year.

And because exceptional results deserve exceptional recognition, we decided to reward the commitment and hard work our people have shown since the start of the pandemic, providing both an extra payment and, separately, higher performance-related compensation. We also rewarded the people working for our Parcels' sorting and delivery partners in the Netherlands with an extra payment. We are thankful for the consultations and the support of our works councils ahead of important steps we took in relation to Covid-19, as part of our responsibility to ensure a safe, healthy and rewarding work environment for our people at all times.

For our partners in the PostNL retail network, 2020 was far from easy. After non-essential stores were required to close, our PostNL retail locations could only open for parcel pick-up and delivery. We responded swiftly by engaging with our retail partners on the consequences and decided to pay an additional fee over and above the usual fee. This helped keep most of our retail network up and running, which was key for webshops, retailers and consumers alike. So far, PostNL spent around €18.5 million to provide additional support to retailers during the lockdown from December 2020 until February 2021.

I'm very pleased that we are also in a strong position to reinstate dividend for our shareholders. After paying an interim dividend in 2019, we paused dividend in October 2019, as a consequence of the acquisition of Sandd. Given the strength of our balance sheet and the current leverage ratio, we are now able to reinstate dividend ahead of schedule. Based on our strong financial position, we are pleased to propose a dividend of €0.28 for 2020, to be approved in the Annual General Meeting in April 2021.

Looking ahead to 2021

At the beginning of the year, we have to take into account that uncertainty about the impact of Covid-19 will remain. Due to the continuing unprecedented circumstances, visibility going forward remains limited. Although the lockdown in the Netherlands and Belgium continued in January and February of 2021, we expect – and we hope – that the impact of the pandemic will fade out during the year.

Meanwhile, our vision and our strategy remain unchanged. Being the leading logistics and postal service provider in, to and from the Benelux area remains our strategy. We are continuing to manage our Parcels segment for profitable growth and our Mail in the Netherlands segment for stable financial performance.

In more detail, our focus is on balancing volume and value in Parcels by expanding our capacity to capture further e-commerce growth. The consolidation with Sandd is delivering full synergies as the integration was successfully completed, which will help stabilise the results of Mail in the Netherlands. As planned, we will intensify our cost savings projects to mitigate the ongoing mail volume decline.

With the step-up in consumer preference for online shopping and the rapid developments in technology, now is the right moment to accelerate our digital transformation.

We aim to strengthen our competitive position by building further on our platform, connecting customers and consumers and solutions through simple and smart digital journeys. The execution of our strategy will accelerate value creation, translating into attractive total shareholder returns.

And it helps us realise our ambition of being the favourite deliverer. The strategic focus areas are important to improve the customer experience and capitalise on the upward trend of satisfied customers.

We are pleased to see the improvement in employee engagement, despite the challenges the year provided for our people. We will continue to ensure favourable working conditions for everyone working with and for us. This includes a safe and healthy work environment, a manageable workload and development opportunities.

A final strategic focus area remains the implementation of our strategic actions to combat climate change and work towards our long-term objective of emission-free last-mile delivery in the Benelux by 2030. While growth at Parcels in 2020 negatively impacted our average CO₂ efficiency per kilometre, we laid the foundation for significant efficiency gains in 2021 and intensified our investments in emission reductions

Thank you

We can only achieve our goals with the continuing strength and support of our stakeholders. This is true for our customers, who trust us to deliver on their behalf every day in, to and from the Benelux. It is about our people, who worked with resilience and dedication in 2020, and who we want to be happy and motivated to do what is best for our customers and consumers, while being proud to be part of PostNL. It is about our other partners, with whom we work to contribute to a better society, which is connected, smart and sustainable. And it is about our shareholders and investors, who support us in our drive to produce a healthy financial position and performance, while creating long-term value.

To each and every one of them, I would like to say thank you very much on behalf of all of us at PostNL.

Kind regards



Herna Verhagen, CEO



Our operating context

Our partners in the value chain, our competitive position, and market developments 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 services, PostNL plays an important role in the logistic value chain, across the Benelux and beyond. Our company is shaped by the relationship we have with customers, partners and suppliers. The infographic below visualises our position in the value chain and our connection with customers and consumers.

Our broad range of products and services

While our core business activities are to collect, sort and deliver mail, parcels and other goods, we are transitioning to a full-service logistics service provider. This means expanding our service offerings, for example by helping 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.

And as the designated provider of the universal service obligation (USO) in the Netherlands, PostNL provides accessible and reliable postal services at affordable prices. The company provides consumers with multiple delivery options, and ensures e-tailers can offer these options using our data-driven and algorithm-based digital services, and we provide return services for customers. And as we develop innovative business models, we are working

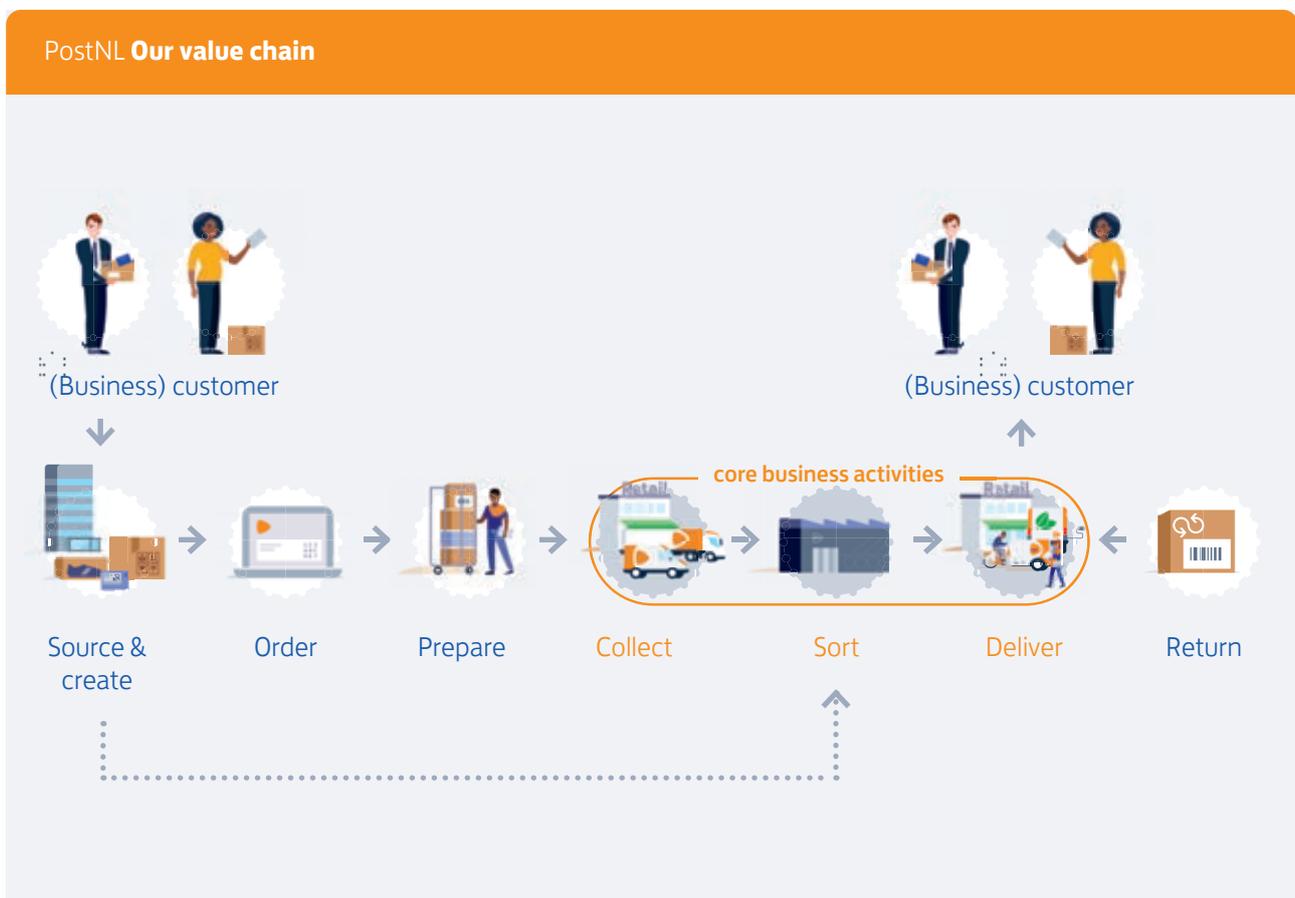
closely with partners, such as platforms, to help them connect to customers and consumers. We also offer customers fulfilment services, preparing everything from stock management and order picking through to collection and delivery services.

Main markets and customers

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

Main supplier categories 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 are primarily located in and operate from the Benelux, and they also use suppliers outside the Benelux. For asset procurement, such as vehicles and company clothing, we use suppliers directly involved in sourcing and creating products, applying Environmental, Social, and Corporate Governance (ESG) criteria to any purchases.



Other key partners

PostNL works to strengthen the logistic value chain, for example by innovating and collaborating with partners such as industry associations, public-private initiatives, trade unions and benchmarking institutes. This helps us progress on topics beyond our core activities, such as working conditions and sustainable development. We are also working with partners to help drive their business, by using our distinctive experience and innovative business models.

Market developments and competition

The markets in which we operate are dynamic, and developments within them lead to opportunities and threats for PostNL. Alongside Covid-19, which will have a multi-year impact on many facets of the economy, we have identified six market developments that are shaping the lives of our customers and suppliers and impact our strategy. These developments, and the impact they will have on our business, are detailed below.

At the same time, the actions and decisions of our competitors also influence market dynamics, which can influence our own behaviour. We outline the competition we face across our mail, parcels and international markets, and our responses to it, below.

Market developments

- Growth in e-commerce
- Consumer in control
- Digitalisation
- Automation and robotisation
- Labour market
- Sustainable logistics

Growth in e-commerce

The continued move from offline to online is leading to rapid growth in e-commerce, with people increasingly making their purchases online. This has accelerated during the Covid-19 pandemic, with the lockdown and closure of non-essential shops leading to a change in behaviour and more purchases being made online. While some of this growth is incidental, for many consumers this shift to online purchasing will continue going forward.

As well as solid domestic e-commerce growth, we see a strong increase in the cross-border e-commerce market. Analysts are forecasting growth in the global online purchasing market in the coming 3-5 years.

We are leveraging on these developments to cement our position as the leading e-commerce logistics player in, to and from the Benelux, by expanding our delivery options and increasing the number of value-added services we offer.

At the same time, we believe our comprehensive networks, proximity to the consumer and coverage across the Benelux enable markets, such as food and health, to grow online. We also see a growing number of peak moments, such as Easter, Black Friday and Cyber Monday, and the annual payment of the holiday allowance. To deal with these developments and provide customers with the services and solutions they require and demand, we are investing in our networks and increasing flexibility.

Consumer in control

One of the impacts of digital change is that consumers increasingly expect to see the physical world replicated in the digital world. To satisfy consumer expectations, companies have to go beyond standard last-mile delivery solutions and provide new services. Consumers want to see services traditionally offered at retail locations, such as the sale of stamps or return solutions, available online, either through our app or website, and be able to track their parcels anytime, anywhere. They also want to be able to update their preferences on the go, using mobile channels to change the time or location of parcel deliveries.

It is becoming increasingly important that we manage the experience consumers have with our customers, which is why it's vital that we strengthen our connector position between consumers, customers and partners, enabling us to increase our quality, reliability, and engagement. This means developing services that connect the digital and the physical, placing consumers at the heart of what we offer so that digital transactions result in seamless physical deliveries.

Acceleration of digitalisation

Another key market trend is the acceleration of digitalisation. A range of digital alternatives for mail, such as electronic invoicing, social media or other digital marketing services, continue to contribute to declining mail market volumes. At the same time, ongoing digitalisation has introduced a number of opportunities for us to increase the value we add to customers and consumers, both within Parcels and Mail in the Netherlands. In our Parcels segment, the use of IT and data enables us to help customers better tailor their services to consumer wishes, such as by offering multiple delivery time-frame options. And in our Mail segment, we are adding customer value by offering a range of digital services, such as the stamp code and 'Mijn Post' through our app. The shift to a cookieless world makes it harder for companies to identify and target their prospects online. Through a combination of on- and offline marketing, and giving direct mail a prominent position, we can support companies to reach their goals. Digitalisation also contributes to more efficient supply chain management, which leads to cost savings at both Parcels and Mail in the Netherlands, and helps us create a more simplified product offering within our Mail in the Netherlands business.

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 and better payment and delivery processes, creating a more efficient supply chain. We are using technology and data to change the way we run the company and provide our services.

Automation and robotisation

Automation is impacting the logistics industry, with collaborative robotics set to increase accuracy and efficiency within the supply chain. Driven by rapid technological change and greater affordability, 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.

The rise of e-commerce requires logistic service providers to operate faster and more efficiently to rapidly process all individual orders. Automation plays an essential role in this dynamic environment. With parts of logistic solutions still being operated manually, the potential for automatisisation and digitalisation is high.

We use automation and robotisation in a number of areas, such as within our automatic fulfilment services and robotic process automation (RPA) in our back-office processes, and as we develop our small parcel sorting centres. 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.

Labour market

In our high volume, growing logistics business, effective staffing and planning is a key success factor. The temporary shutdown of businesses across the hospitality sector and parts of the retail sector because of the Covid-19 crisis led to a stronger labour market in 2020. This meant that it was easier for us to fill vacancies across the company. We don't know what medium- or long-term impact this will have on our staffing situation. In 2020 we hired more IT professionals and sourced, trained and placed people internally, which will help us accelerate digitalisation across the business and develop internal digital programmes, such as Digital Next.

During the year, we reached a final agreement with various unions for a new PostNL collective labour agreement (CLA) and a CLA for Saturday deliverers that sees wages increase by 5.5% over the course of two years. Our commitment remains on retaining people who are well trained, passionate, and who want to make a difference for our customers, by offering training, mentoring and development opportunities.

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 are concentrating on how we can create a more sustainable company, while addressing the wishes of our stakeholders.

For example, we are increasingly using low- and zero-emission vehicles, and building very energy efficient sorting and delivery centres. One example is the solar panels fitted to the roofs of the 24 parcel sorting centres we own, which in 2020 produced around half of the centres' total annual energy consumption. We are also continuing to expand the use of renewable fuels, such as HVO100, on some of our delivery vans and large trucks across the Netherlands.

Sustainability is also a driver for business model innovation, such as through emission-free last-mile delivery. And we have set ourselves ambitious environmental goals for 2025 and 2030, which will result in fundamental changes to the company

“ We are using technology and data to change the way we run the company. ”

Competitive landscape

Increased competition in e-commerce

The Covid-19 crisis caused a sharp rise in e-commerce in the Benelux, with the transition from offline to online accelerating. This makes the market particularly interesting for both existing and new players, and in 2020 we saw a number of developments amongst competitors. Large players made investments in their Benelux networks, while new delivery players were particularly active in developing niche services and expanding their retail locations. We maintain our market-leading position in the Netherlands in the B2C segment by providing high-quality innovative services and solutions, with a strong sustainability agenda and a different approach to pricing. At the same time, we continue to focus on strengthening our position in the B2B segment, ensuring our services match or exceed those in the market.

Going forward, we will concentrate on digital innovations, enhancing the customer experience, our sustainability focus, and competitive pricing to stay ahead of challengers.

Developments in relation to mail

All Sandd's 11,000 postal deliverers were offered jobs with PostNL, and around 4,000 of them accepted the offer and started working for us on 1 February. Additionally, over 300 other employees from Sandd, working in sorting, as drivers and in other roles, joined us at either Mail or other entities.

This will help us provide a reliable, accessible and affordable postal service, with greater job security for thousands of employees. Following consolidation, PostNL is the only postal operator with a nationwide coverage.

A range of commercially oriented postal operators have positions in niche segments, given the post-consolidation market conditions. Additionally, a large number of smaller postal operators offer local postal services, mainly executed in co-operation with, or as part of, sheltered workspaces. We work together with these sheltered workspaces where possible. For mail outside their own delivery area, these postal operators use postal services offered by PostNL. At the same time, a range of digital alternatives for mail, such as electronic invoicing, social media or other digital marketing services, continue to contribute to declining mail market volumes.

International

The enormous growth of international e-commerce and the growing impact of digitalisation provides a variety of opportunities for PostNL. We develop tailor-made cross border solutions and focus on flexibility in our business approach, which enable us to deliver high-quality, value-added services for customers while at the same time responding swiftly to rapidly changing markets, such as we saw at the beginning of the Covid-19 pandemic. Examples include helping Dutch e-tailers to expand their services abroad and enabling international customers with the smart distribution of shipments across Europe.

Alongside growth, the international arena is also becoming more competitive. Traditional players seek 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 logistic networks. Our flexible and customer-focused approach enables us to respond quickly to, and profit from, market dynamics.

Summary of regulatory environment

We offer customers a variety of logistic services across the Benelux, and mail and parcel solutions internationally. Within this environment, we have to comply with a range of legal and regulatory requirements in the countries in which we operate. These include tariff regulations, regulation related to dangerous and prohibited goods, customs regulations, labour regulation, data protection, environmental and privacy requirements, and competition law.

In the Netherlands, we are the designated operator to provide services under the universal service obligation (USO). This is the basic postal service that ensures that nationwide postal services remain accessible, affordable and reliable for all. Consolidation is key to achieving this. However, there is currently ongoing discussions as to whether the decision taken by the State secretary of Economic Affairs approving the consolidation is justified.

In 2020, the State Secretary of Economic Affairs and Climate published proposed amendments on the Postal Law. Feedback from the Dutch House of Representatives is the first step in the parliamentary legislative process towards a renewed Postal Law. A decision on this is not expected before mid-2022.

At the European level, the Council of the European Union has decided to abolish the VAT exemption on goods imported to the EU from third countries. In 2020, the European Member State representatives agreed to postpone the EU VAT e-commerce package from 1 January 2021 to 1 July 2021, primarily because of the disruption caused by the Covid-19 pandemic.

The European Commission (EC) is also in the process of evaluating the Postal Service Directive (PSD). The evaluation report is expected in the second quarter of 2021, and will report if the PSD is fit for purpose or needs to be revised.

Internationally, we are involved in developments through the Universal Postal Union (UPU), and in 2020 we also closely tracked the impact of Brexit, which saw the United Kingdom formally leave the EU on 31 January 2020.

More details about the developments in the regulatory environment can be found in the 'Our strategy' chapter.

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' chapter.

“ We engage with our stakeholders to better understand their interests and how we impact their decision making. ”

PostNL Stakeholder groups

Stakeholder clusters	Stakeholder groups	Most relevant topics
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 • Environmental, social and governance (ESG) (a, b, d, e)
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
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
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)
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)
Media	<ul style="list-style-type: none"> a. Traditional media b. Social media 	<ul style="list-style-type: none"> • Business events • Opinions about PostNL
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)
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

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 on the Materiality matrix.
- Dimension two: the significance of the societal impact of PostNL with the topic. This is the horizontal axis on the Materiality matrix.

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 are presented in the Materiality matrix below. Topics ranked in the upper right-hand section of the Materiality matrix represent the key material topics for the company.

“ Disclosures in our Annual Report are based on the topics deemed most material. ”

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. A more detailed description of our stakeholder engagement and materiality analysis is included in our stakeholder policy.





Contributing to a better society

We believe in giving something back in addition to our business activities. Our sponsorship policy aims to help people who need extra support to stay connected with society. This sponsorship also means we can provide our employees with an opportunity to give greater meaning to their jobs. We choose initiatives where we can add value, making use of our people, networks and competencies. Our employees spend time on a voluntary basis and we donate the use of our materials, equipment and networks.

Free delivery - Stichting Jarige Job

In 2020 we continued our partnership with Stichting Jarige Job, a foundation that provides very poor children in the Netherlands with a gift box on their birthday. Throughout the year, we deliver these boxes free of charge. In January, people can give the gifts they want to donate directly to the parcel deliverer, or drop them off at a retail point, and we then deliver them. In 2020 people could also make a financial donation to Stichting Jarige Job.

National Elderly Fund

In 2020 we delivered free Christmas cards to almost 2,000 primary schools across the Netherlands, the sixth year we have done so. Children could then colour the cards and send them to health institutions. This year people could also deliver their cards directly in their own neighbourhood, which many children did. In addition, we delivered around 141,000 Christmas cards 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 deliverers 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 deliverers reported several serious cases.

Alliance for a digital society

PostNL is part of a joint initiative between the private and public sectors to help people with limited digital skills keep up with a changing society. For Valentine's Day we filled and delivered boxes that help people make offline contact in an increasingly online world. And we offered free postcards to be sent to someone who needed extra attention. We also helped collect laptops for home-schooling so children in families with limited resources could follow their lessons online.

Impact of Covid-19

The Covid-19 pandemic has had a profound impact on everything and everyone. Across PostNL, our focus has been on prioritising the health and safety of our people, partners and customers, while continuing to play a vital role in society by providing our broad range of services.

People

Our primary focus during the year was on ensuring that everyone at PostNL had a safe and healthy work environment. Our people worked with resilience and spirit throughout year, in what were particularly trying circumstances. They ensured that our mail, parcels and logistic services continued despite the limitations imposed by the pandemic.

We rolled out a range of health and safety measures in a bid to protect people against the virus at the beginning of the pandemic, then monitored Covid-19 developments on a daily basis and updated our measures throughout the year to adapt to changing circumstances. By monitoring infections across the company, we were able to introduce measures swiftly, such as mini-triage or our own contact investigations. For our people, this meant a limit on the number of workers in a facility, following flow patterns to limit the contact they had with one another, and working behind plexiglass walls. Our people also had to adjust their way of working to the new rules, incorporating the 1.5 metre social distancing and other safety measures. We also adjusted the layout of preparation centres, including placing floor stickers, signage and other forms of communication to help raise awareness. By introducing a range of measures across our sorting and delivery centres and our logistics' operations early in the process, we managed to avoid large Covid-19 breakouts and prevent temporary closures of facilities.

For office-based employees, the pandemic meant home working from March. While this involved its own challenges, we are proud of how everyone responded. We focused initially on providing everyone with the right resources at home, such as an office chair, computer and IT connections. We also organised webinars for employees on how to manage their work-life balance from home, and held virtual town hall meetings and remote stand-ups to keep everyone involved.

Our most recent employee engagement survey highlighted how much our people appreciated our response to the pandemic. They valued the quick and clear introduction of measures, the detailed and understanding communication from management,

the telephone interviews and podcasts, and the many different ways we kept in contact with one another.

Despite the pandemic, and the additional stress it caused, our absenteeism rate showed a marginal increase since the beginning of the pandemic. We believe this underscores the success of the measures PostNL and our people took, providing insights into the safety of the workplace, and how seriously everyone focused on the national guidance.

Given the resilience and dedication of our people during the course of 2020, we chose to reward them with an extra net payment of €250 and a non-recurring payment of 0.5% of their salary in December 2020. Additionally, we have given them a performance-related bonus of 1% given the exceptional results of 2020, which is on top of the 2% performance-related bonus for 2020. We will also give our delivery partners €150 per route (in addition to the €100 previously announced), and will ensure our sorting and distribution partners at Parcels in the Netherlands can also reward those who are not directly employed by PostNL, but who have contributed to our excellent results.

Customers and consumers

The national and international measures taken to slow the spread of the pandemic led to a clear change in consumer behaviour, resulting in a sharp rise in online purchases. This change in behaviour was a key driver in us helping our customers grow their business.

We also experienced an accelerated decline in bulk mail volumes following the outbreak of Covid-19, which stabilised in the second half of the year. Many customers postponed direct mail campaigns until the fourth quarter of the year. And as countries closed their borders and flights were cancelled, we saw international mail import volumes drop. Driven by the lockdown measures, social distancing and a reduction in socialising became the norm. People started to send more greetings cards and gifts using letterbox parcels in both the first and second wave of the pandemic, underpinning the value of connecting through physical mail.

For everyone's protection, we introduced contactless delivery to ensure deliverers maintained the required 1.5 metre distance from customers, maintained social distancing during pick-ups and deliveries, and all employees wore masks. Our services also became more visible during the first wave of the pandemic, and people increasingly relied on deliveries and reconnected with physical mail. Consumers identified with the value of delivering parcels, mail and other goods, and appreciated that we stayed outside so people could stay at home. This, in combination with our commercial and operational response to the huge rise in volumes, contributed to a sharp increase in our customer satisfaction scores, particularly in the initial measurement moment in May. For many during the first lockdown, our parcel and mail deliverers were the only contact they had beyond their family.

Parcels

From early in the pandemic, we saw a range of customers accelerate their digitisation programmes and increase their investments in e-commerce. E-commerce growth picked up significantly and the transition from offline to online accelerated. We saw a rise in the number of first-time online buyers and the share of existing medium and heavy online shoppers grew. To help small- and mid-sized shops move online, we provided a range of services through the MyParcels platform.

While in previous years we significantly scaled up our processing capacity at a few peak moments, in 2020 we had to introduce a more structural scale up. During the first wave of the pandemic we processed considerably more parcels than on average, while at peak moments towards the end of the year volumes were significantly higher than those at the beginning of the year. The end-of-year peak in 2020 also began earlier and lasted longer than we typically see. In total, we delivered a record 337 million parcels in 2020, of which we estimate around 25 million to be non-recurring and related to Covid-19. On peak days, we were processing 1.7 million parcels across the Netherlands.

For our B2B networks, such as Mikropakket, PS Nachtdistributie and Cargo, we saw a drop in volumes as shops and the catering industry closed during the lockdown periods. We used these networks to help process parcel volumes when needed.

The pandemic also had a profound impact on our international volumes. While international e-commerce rose, there was a drop in international mail volumes. At the beginning of the pandemic there was a reduction in available cargo space, as countries took preventative measures and some airlines stopped flying, while others only flew sporadically. We worked on finding other ways to reach countries that had shut down, such as using freight aircraft or chartering more trucks. And on a couple of occasions mail destined for the United States was delivered by ship.

Our efforts were appreciated by customers, and were reflected in the sharp increase in customer satisfaction scores at our international operations.

Mail in the Netherlands

At Mail in the Netherlands, performance was marked by accelerated volume decline in bulk mail volumes, especially direct mail, and a boost in greeting cards and mailbox gifts. Following the outbreak of Covid-19 in the first half of 2020, we saw bulk mail volumes decline, which stabilised in the second half of the year. Many customers postponed direct mail campaigns until the fourth quarter of the year.

Driven by the lockdown measures, social distancing and reduced socialising became the norm. People started to send more greetings cards and gifts using letterbox parcels in both the first and second wave of the pandemic, underpinning the value of connecting through physical mail. On peak days during the last few weeks of the year, we were delivering 14 million mail items across the Netherlands.

To process the extra volumes, we added extra delivery days and post box collections, opened sorting centres on Sundays, and hired more people in our operations. We also spent around €4 million to provide additional support to retailers during the lockdown in December 2020 and €14.5 million in January and February of 2021, with over 85% of retail points remaining open. However, this volume increase, during what is already a particularly use period, put strain on the delivery quality of 24-hour mail.



Business Report

23

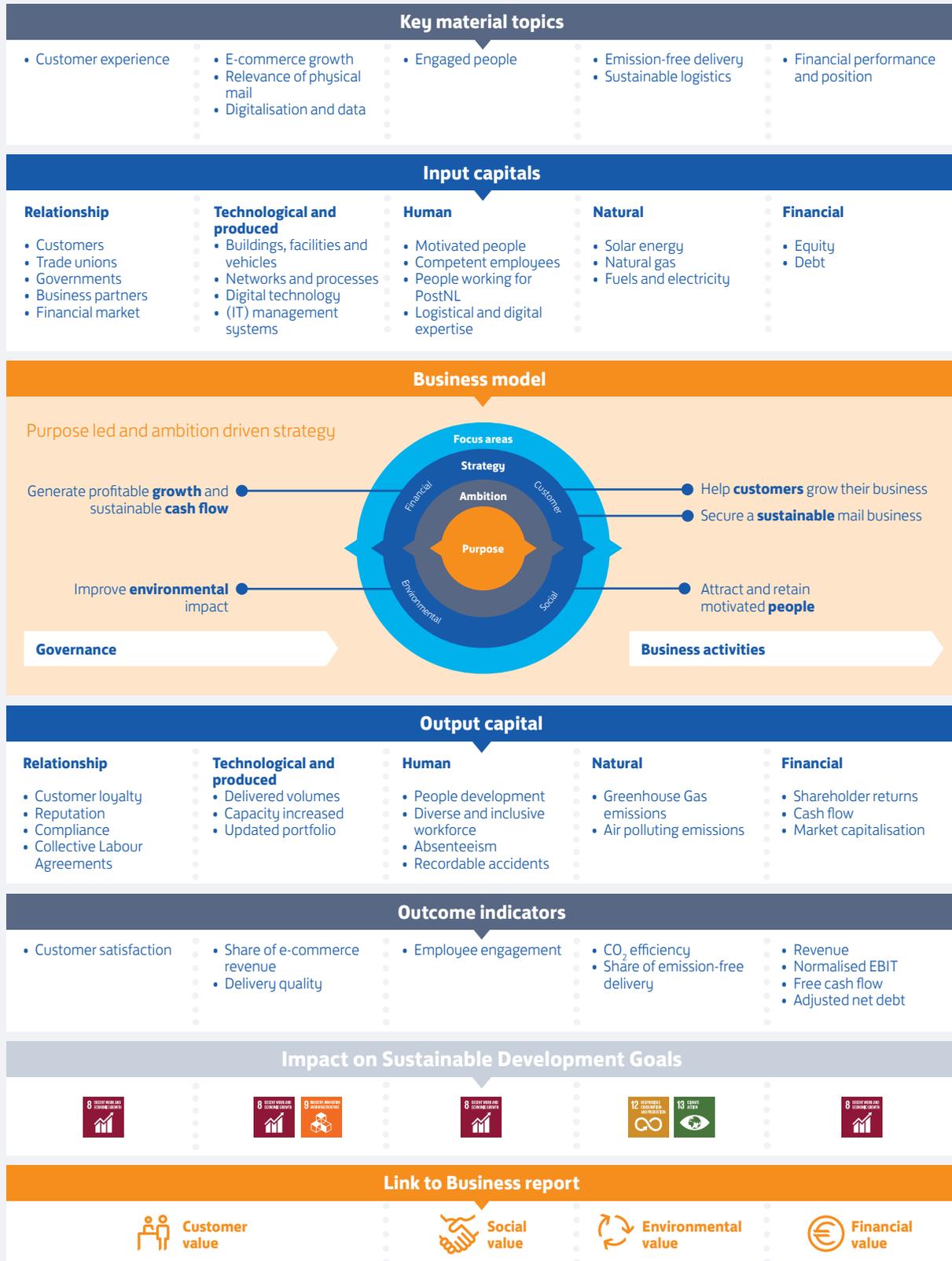
How we create value	24
Our strategy	30
Customer value	40
Social value	54
Environmental value	64
Financial value	72
Risk and opportunity management	80

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 logistic 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

We have evaluated our operating context and looked at how we create value for society, including shareholders and stakeholders. This enabled us to define eight key material topics for 2020. For each key material topic we developed performance indicators to measure progress on the outcomes of our value creation model.

From the eight key material topics, we have identified three that are vital if we are to realise our strategic objectives in the short term: Customer experience, Engaged people, and Financial performance and position. The other five topics remain essential for our long-term value creation and support our main three topics.

“ We developed outcome indicators for each topic to measure progress on the outcomes of our value creation model. ”

PostNL Key material topics

Topic	Description
Customer experience	The experience customers have with PostNL and our contribution to the experience of consumers with our customers. The impact on customer experience is related to several aspects, including involving customers in product and service development, transparency about PostNL's processes, innovative and flexible options for receivers, interaction and communication.
Engaged people	Motivated people are key to execute our activities to deliver the customer experience we aim for at PostNL. The engagement of our people is influenced in various ways, such as meaningful work, working conditions, fair compensation, a healthy and safe working environment, equal treatment, respect for differences, development opportunities, appreciation, participation and the openness to give feedback.
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.
Emission-free delivery	To avoid greenhouse gas and other air polluting emissions in the delivery of shipments for customers, we focus on the emission-free first-mile collection and last-mile delivery of parcels and mail in the Benelux.
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.
Relevance of physical mail	Emphasise the value of physical mail as communication medium in relation to the trend of increasing digitalisation, which is leading to declining volumes. At the same time, underpin the relevance of (cost) effective execution of the universal mail service in the Netherlands to keep mail accessible, reliable and affordable, while providing long-term employment as one of the largest employers in the Netherlands.
Sustainable logistics	Become a more environmentally sustainable logistics company. This includes improving our environmental impact, primarily related to climate change and air pollution. At the same time, we also address waste management, the circular economy and water availability. Becoming more sustainable also contributes to employee engagement and our reputation.
Digitalisation and data	The transformation in society whereby the role of digital information and communication in all facets of people's lives is accelerating. Digitisation of information forms the basis for processing, modelling, storage and analysis of data. This enables us to become more digitally and data driven in doing business, while seizing new opportunities, all in the benefit of customers and consumers.

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. Each capital is 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 relations we have with our stakeholders, especially consumers and customers, our investors, our employees, governments and trade unions, influence our ability to create value over time. We strive to build strong relationships through the way we do business and interact with our stakeholders.

Technological and produced capital

The assets that drive digitalisation, the use of data, automation and robotisation are our technological capital, and they play an increasingly important role in our business. This includes both 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. We need our people to execute our strategy and contribute to the delivery of our services. This includes our own employees and people working for us through our contracting partners. By operating and developing an inclusive organisation, we aim to help our people to grow, while providing fair compensation, and a safe and healthy work environment.

The collective knowledge and experience of PostNL, built over the course of more than two centuries, is one of our greatest assets, our intellectual capital. 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.

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 and our vehicles, many of which now run on biogas or electricity. Those that run on diesel or gasoline produce greenhouse gases (GHG) and air polluting emissions that impact air quality and contribute to climate change.

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, and our success has a direct impact on these investors.

Our business model

We want to use our strategy to become the leading logistic and postal service provider in, to and from the Benelux. To realise this, we are concentrating on delivering value for stakeholders in four different domains – customer, social, environmental and financial – through a number of strategic objectives, which are outlined below:

- Help customers grow their business;
- Secure a sustainable mail business;
- Attract and retain motivated people;
- Improve environmental impact;
- 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. We also link our strategy to our key material topics, which helps 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. This helps us optimise and further develop our core business activities to generate the outputs our stakeholders require.

Business activities

We serve our customers by providing three essential core logistic activities: collect, sort and deliver. Over time, we have built dense networks and state-of-the-art processes throughout the Benelux and beyond through our cross-border solutions, while divesting non-core activities. Digitalisation is helping us transform the way we do business and enhance our core activities to provide our customers with smart logistic solutions, improve our competitive position, and further advance customer interaction and experience. Our committed people play a crucial role in fulfilling the promises we make to customers.

¹ International Integrated Reporting Council

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, connecting the e-commerce environment. 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 markets 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. And we provide customers with international delivery solutions through Spring, as it transitions towards becoming a provider of global e-commerce solutions.

Mail in the Netherlands

At Mail in the Netherlands we want to maintain an accessible, reliable and affordable mail network, while continuing to concentrate on delivering a sustainable cash flow in a declining mail market. Physical mail remains a vital communication element in society, as has been seen through the Covid-19 pandemic as people connected by sending cards and letters. The relatively high share of higher-margin single mail and parcel items in 2020/2021, in part driven by incidental Covid-19 impact, could have an impact on the level and phasing of regulated stamp price increases in the near future.

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, such as the stamp code that is convenient and simple to use, and the 'Mijn Post' service in the PostNL app, which provides users with a notification and digital preview of the mail that will be delivered to them that day.

We are also introducing further efficiencies and synergies across our operations to realise cost savings and strengthen our services, to offset the negative impact of ongoing volume decline, such as rolling out the New mail route. We believe that consolidation is vital to maintain accessible and reliable postal services, which is why the Sandd integration is such an important step forward. And our combined mail network helps us keep mail delivery accessible and reliable in an increasingly digital environment.

Governance

Pursuing opportunities and managing risks are essential in order to be in control of our strategic progress. We use a multiple layer governance structure to steer our company in the right direction. Line management, business control, legal, public affairs, internal audit, executive committee, board of management, audit committee and the supervisory board all have an important role to play to make sure we are in control. Not only to safeguard our strategy execution and external reporting, but also to identify and manage areas for improvement in our business model.

Impact on Sustainable Development Goals

Our strategy is focused on creating both short- and long-term value for our stakeholders through our key material topics. The short-term value we create is expressed in the outcome indicators. We have directly linked our long-term impact, as shown in the Value creation model, to the Sustainable Development Goals (SDGs) set by the United Nations.

Because we look at the long-term impact we have along the entire value chain, we focus on four SDGs: SDG 8 (Decent work and economic growth); SDG 13 (Climate action); SDG 9 (Industry, innovation and infrastructure); and SDG 12 (Responsible production and consumption).

For each target we evaluated whether our impact is related to "doing good" or "avoiding harm". The section below outlines the challenges of each SDG and our approach. A more detailed overview of our SDG connections can be found in the 'Non-financial statements, section Reporting principles' chapter.

PostNL Approach towards the SDGs



SDG 8 Decent work and economic growth

Decent work

Goal: Provide decent work conditions for our people. This is related to favourable working conditions, and providing full and productive employment.

Our approach: Providing direct and indirect employment to around 53,000 people and commit to protecting human rights. We actively promote diversity and inclusion within our company and provide sustainable employability. We offer our people favourable working conditions by providing the right tools, creating a safe workplace, and caring for people's health. And we ensure fair compensation for people working with and for us. In 2020 we provided all these people with extra financial compensation beyond the collective labour agreement for their enormous hard work in this challenging year.

Economic growth

Goal: Contribute to e-commerce growth, grow profitably, and maintain an accessible, reliable and affordable postal service.

Our approach: We use digitalisation, and product and process innovation, to realise higher levels of economic productivity. We maintain contact with stakeholders to balance these innovations with their interests and concerns, helping us to keep mail relevant, grow our e-commerce business and minimise the impact of digitalisation on our employees.



SDG 9 Industry, innovation and infrastructure

Goal: Provide accessible and reliable postal services and a resilient postal infrastructure across the Netherlands. We also need to ensure our Parcels and Mail in the Netherlands businesses are set up to realise sustainable innovation, and our Parcels infrastructure is capable of expanding to accommodate the growth of e-commerce.

Our approach: Innovation and development within our logistic networks will enable us to manage both future volume growth in the e-commerce sector and the need for value-added features for customers. At the same time, we develop new business models such as city logistics and work towards the electrification of our fleet to foster innovation and support clean and environmentally sound processes and technologies. We adapt and enhance our nationwide postal infrastructure to the declining mail volumes.



SDG 12 Responsible production and consumption

Goal: Reduce our ecological footprint by changing the way we produce and consume goods and resources in collaboration with others in our value chain.

Our approach: We take a pro-active approach by engaging with partners in our value chain to promote more sustainable alternatives, such as smaller and more sustainable packaging. This includes making more sustainable and efficient use of natural resources, and minimising waste to air, soil and water. On the other hand, we increase transparency in our direct and indirect environmental impact, and take actions to make our procurement practices compliant with legal requirements and our own policy.



SDG 13 Climate action

Goal: Reduce 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 agreements on climate change. These targets, which have been validated by the Science-Based Targets initiative (SBTi), include our goal to deliver all mail and parcels in the last-mile emission-free by 2030. This also involves reducing indirect GHG emissions from our delivery partners by raising awareness and promoting active engagement.

Our strategy

Our goal is to become the leading logistics and postal service provider in, to and from the Benelux. We have defined five 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.



Strategic overview

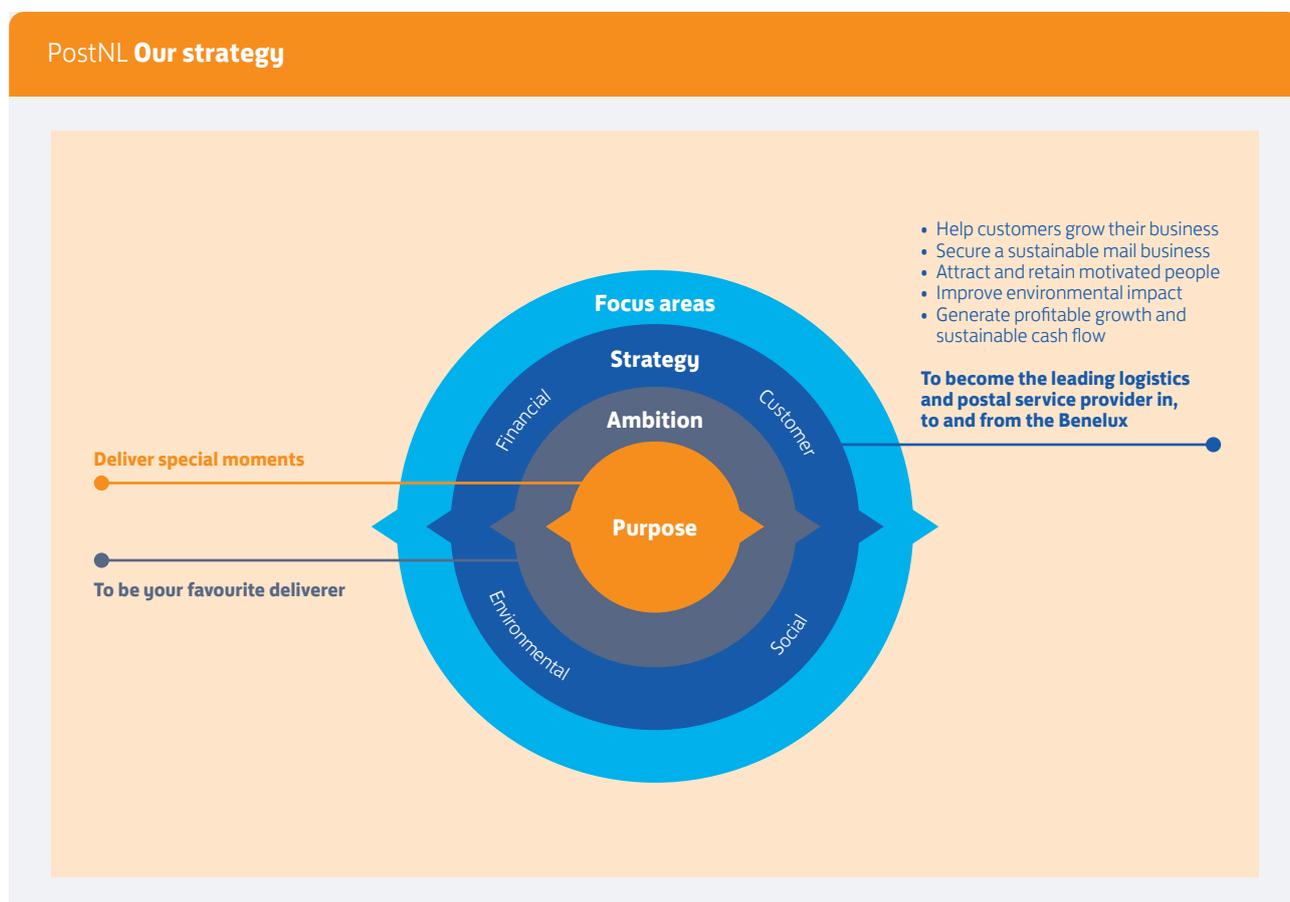
Being a purpose-led and ambition-driven company

Our purpose is to deliver special moments, and we understand that every contact moment is a valuable moment. 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. Our role in society became even clearer during the Covid-19 crisis, as we provided our services despite the challenges created by the pandemic. While prioritising the health and safety of our people, partners and customers, we ensured we were able to scale up capacity, expand the number of delivery routes and attract new staff, all within the constraints of social distancing. At the same time, we continue to work hard on our ambition: to be the favourite deliverer for customers, consumers and across society. Remaining relevant means evolving. It means innovating and optimising our delivery processes and services to benefit our customers, consumers and other stakeholders.

“Bringing our purpose to life involves achieving our strategic objectives.”

Our objectives

Bringing our purpose to life involves achieving our strategic objectives, which we implement through our business units. Several company-wide programmes are in place to support our business realising our company-wide objectives. This section outlines the main focus areas that help us realise our strategy, and our key outcome indicators which enable us to track progress towards achieving our objectives.



Our action-based and results-driven strategy

Help customers grow their business

Link to key material topics

- Customer experience
- E-commerce growth
- Relevance of physical mail
- Digitalisation and data

Focus Areas

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

Outcome indicators

- Customer satisfaction
- Share of e-commerce revenue
- Delivery quality Parcels NL

To become your favourite deliverer, we are working to provide our customers with the best possible logistic network solutions. At Parcels, capturing market growth remains an essential part of our strategy. At the same time, we focus on marketing the value of physical mail, the power of which was clear during 2020 as people connected with friends and loved ones by sending cards, letters and gifts through the mail. And large customers also understand the power of reaching their target group using physical mail. We are investing in and managing our network capacity, helping to support the growth in e-commerce. We are improving our service quality and operational efficiencies to exceed customers' expectations. And we are using data and digitalisation to

innovate our business models, bringing innovative value propositions to the market, improving our services and solutions, our logistic processes, and our dense networks. Together, these developments help our customers grow their business and flourish.

To help increase customer value we need to solve their business needs and wishes. For example, by delivering smart logistic solutions and ensuring their shipments are moved swiftly, efficiently and sustainably from supplying e-tailers with fulfilment solutions to collection to delivery.

Secure a sustainable mail business

Link to key material topics

- Customer experience
- Relevance of physical mail
- Digitalisation and data

Focus Areas

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

Outcome indicators

- Customer satisfaction
- Delivery quality MailNL

While the ongoing decline in the mail market continues to have a large impact on PostNL and other postal logistic players in the market, we are reshaping our mail business model, continuing to invest in smart technologies, and developing cost-saving measures. As the designated provider of the universal service obligation (USO) in the Netherlands, we have a responsibility to maintain country-wide coverage and deliver on specific quality targets, ensuring accessible and reliable postal services at affordable prices. This means ensuring easy access to PostNL post boxes and retail locations, so that everyone can continue to use our network and connect with our services.

The consolidation of Sandd, which we finalised in 2020, will help us safeguard the key aspects of the postal service, while preserving decent labour conditions in what is expected to remain a shrinking market. Given our history and competencies, we believe we will have a key role to play in the future postal market in the Netherlands. We actively engage with the government, regulators and other stakeholders. And we aim to further intensify engagement with our customers so that we continue to meet future needs, including all the digital solutions that our customers have at their disposal, while keeping mail attractive and continuing to innovate together with our customers.

Attract and retain motivated people

Link to key material topics

- Engaged people

Focus Areas

- Workforce optimisation and capacity management
- Strengthen employee engagement
- Stay healthy
- Realise change

Outcome indicators

- Employee engagement

As one of the largest employers in the Netherlands, we provide thousands of people with job security, a stable income based on fair compensation for everyone, and opportunities for personal development and growth. We continue to focus on employing and retaining people who want to grow and prosper with us, which means providing attractive jobs, including training and development throughout our people's career, and adapting to their changing skill requirements. Next to attracting people in our operations we also focus on enhancing our digital DNA, for example by hiring digital specialists for our digital transformation programme.

By investing in sustainable employability and focusing on diversity, we believe we make the organisation stronger and create an environment in which people want to work.

This means offering jobs where safety and a healthy work environment are key, the value of which has been highlighted throughout the Covid-19 pandemic. And it means making people feel at home, working in an atmosphere that nurtures diversity and inclusivity, thereby helping create the long-term success of our company. When we decide to make changes in our organisation, we do this in close collaboration with our people in order to realise change responsibly.

Improve environmental impact

Link to key material topics

- Emission-free delivery
- Sustainable logistics

Focus Areas

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

Outcome indicators

- CO₂ efficiency
- Emission-free delivery

At PostNL, we proactively take responsibility for the environmental impact of our operations, and have set ambitious targets to reduce our environmental footprint. We want to deliver all parcels and mail emission-free in the last-mile in the Benelux by 2030. And we have set an intermediate goal to achieve emission-free delivery in 25 city centres across the Netherlands by 2025 across all our networks.

But we are not only focusing on the last-mile. Our 2030 targets also include science-based emission reduction for larger vehicles, such as switching to biofuels that lead to cleaner kilometres, as well as progress on international logistic movements. We are making our buildings more sustainable and energy-efficient, for

example by installing solar panels and LED lighting. We also engage with customers through developing green products and services. On a consolidated level, we have set targets to reduce our absolute and relative emissions towards 2030. Our Zero 2030 programme will enable us to significantly improve our environmental impact, contribute to our reputation as a sustainable company, and enable us to better connect to employees by giving their work more purpose. And we have the ambition to work towards net-zero emissions across our entire operations by 2050.

Generate profitable growth and sustainable cash flow

Link to key material topics

- Financial performance and position

Focus Areas

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

Outcome indicators

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

To create value for our investors and the company, it is vital that we focus on generating sufficient profits and cash flow throughout the company. Within Parcels we want to shape the growth in the e-commerce market and concentrate on balancing volume and value, by developing new markets, applying applicable pricing strategies, creating new packaging solutions, or offering new delivery options. We will also invest in our operations, such as network capacity and digital solutions, and focus on our operational excellence, which is a pre-requisite for providing the high-quality delivery that directly impacts customer satisfaction rates.

In our international business we are enabling customers and consumers to

tap into the growing global e-commerce market. Spring is providing customers with more value-added options, for example by adapting its IT systems thereby enabling more options in logistical solutions.

Our Mail in the Netherlands business is focusing on continually improving the customer experience in a declining market. We are strengthening operational excellence and achieving cost savings by optimising our processes and increasing flexibility, while realising synergies through the integration with Sandd. At the same time, we use data and IT to innovate, such as further developing our digital capabilities. This helps us create a sustainable margin and cash flow.

Developing growth domains

In addition to our core strategy, we are also developing alternative growth domains related to our primary logistic propositions to create and develop future opportunities. We continued to explore and expand in two key growth markets in 2020: health and home & garden. Within the health segment, an increase in patients' e-commerce expectations and a strong shift to home care in the health market are pushing the demand for home deliveries, and we are continuing to take advantage of these trends and are working towards being a leading health player in the Benelux. Food is a rapidly growing e-commerce market in the Benelux, and we are operating an open network for food deliveries to consumers and continue to introduce market-leading innovations for a wide range of customers.

By working closely with small innovative companies to explore new propositions, we are able to add value by challenging ideas and helping small companies to scale their businesses. And our strong brand helps open doors with investors or other stakeholders to pitch ideas to the market.

And to help support our aim of developing a future-proof business portfolio, we continue to invest in an investment fund, Endeit. This investment means we are better able to learn from and cooperate with companies connected to our growth domains.

Responding to opportunities and risks

Seizing opportunities is an integral part of our strategy and execution, and examples of how we did this in 2020 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, including identifying and mitigating the most relevant risks.

“ Seizing opportunities and managing risks forms an integral part of our strategy and execution. ”

How we connect strategy to execution

Much of our strategy is executed through our business units, where it is transformed into practical steps and developments that enable us to achieve our long-term goals. 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. The main programmes are outlined below.

Culture and behaviour

At PostNL, we run an Orange Compass programme to steer our culture and behaviour. This helps guide all of us within the company on how to put the desired customer experience first, supported by the right employee behaviour, working environment and leadership. Since 2019 we have held a series of trainings and events to strengthen this message, such as coaching senior management on the behavioural elements included in the compass, so that they could create a better work environment for their teams. We have also run ambassador sessions and training exercises to help our people better connect with PostNL's goal of being our customers' favourite deliverer. And we have integrated the Orange Compass behaviours into our business learning and leadership development programmes.

Digital transformation

Focusing on IT and digital capabilities has been an essential aspect of supporting the transition towards a more e-commerce based company. This involves increasing the speed of innovation, while developing an even more agile organisation. We have already begun accelerating the digitalisation of our company in a number of key areas, which will help us strengthen our competitive position

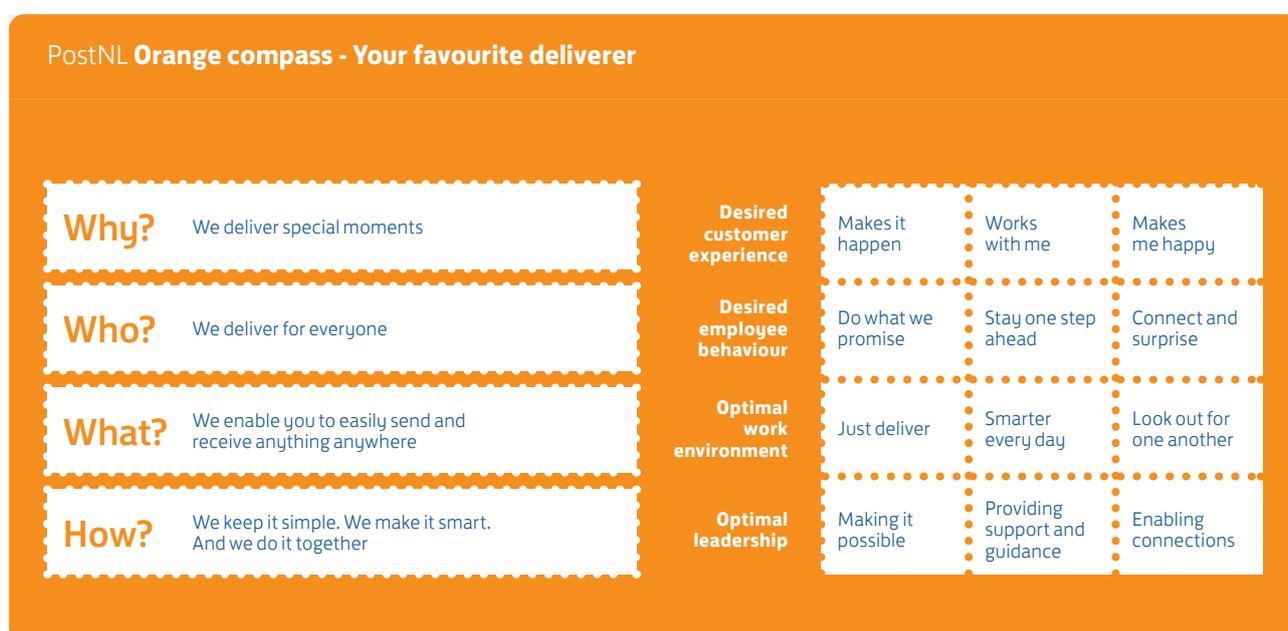
and contribute to greater customer satisfaction, while reducing our cost base and attracting new customers.

To take the next step on our journey we have formed a clear vision for further digital transformation, which involves focusing on areas such as network integration, innovation, and developing innovative business models. At the same time, we have created digital building blocks that will help us realise our vision and transform the company in the coming years. As part of this focus, we have appointed Bart Delmulle as chief digital officer. Bart took up his new role on 1 February 2021. More insights into our digital transformation can be found in the interview with PostNL CIO, Marcel Krom at the end of this chapter.

Innovate our business models

As a logistics operator, PostNL provides end-to-end logistic services with a focus on operational efficiency. But the market is changing, and so is our business. Which is why we are further developing our capability to realise certain e-commerce-related services as an integrator. In the future, this would involve integrating operators' services into our own, while continuing to provide (large) e-commerce companies across the Benelux with our growing array of end-to-end logistic services.

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. This will enable us to deliver high-quality services cost-effectively, while providing distinctive customer and consumer experiences.



We will continue to focus on using data and insights to provide e-commerce customers with value-added, real-time insights to help them better understand, target, and personalise their services to consumers. Becoming a true e-commerce partner and specialist to grow our customers' business will help us grow our own e-commerce business.

Transform the commercial engine

At the same time, we will transform our commercial engine through product simplification, rebuilding customer and consumer journeys, and shifting to digital channels. We will become more cost efficient by moving towards a data-driven supply chain, backed by machine learning and big data analytics.

Strengthen technical and data foundation

We are further improving our technical foundation, using smart data and analytics, to support the growth in digital solutions and enable us to accelerate our core transformation. For example, by utilising our data management programme and integrating data management throughout the business.

Drive our digital DNA

We need to ensure that our leadership team, and the full organisation, are prepared and ready to accelerate our move towards being an agile and digitally-savvy company. One example is the launch of our Digital Next Academy, a leadership programme which teaches senior managers 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.

Portfolio management

PostNL offers a wide range of products and services aimed at delivering an excellent customer experience. We continuously improve these solutions through change initiatives based on customer needs. The collection of change initiatives is managed in portfolios of change, a process in which feedback between strategy and execution is important to make adjustments to maximise business results.

Switching to an agile operating model is vital. The decentralisation of strategy execution to portfolios with design teams and agile release trains increases effectiveness and the speed of change. Portfolio management applies systems thinking to keep the entities aligned and operating within the broader business context. It facilitates collaboration on a strategic level between business units on strategic decisions, and on interdependencies and trade-offs between change initiatives. These all require significant change and stakeholder management, as well as project management expertise. To provide structure in managing our portfolio of change, we link the improvements to focus areas at a strategic level.

This helps us allocate resources within the business effectively and make changes to our products and services that add the most value to our strategy.

Sustainable logistics

Throughout 2020 we further developed our Zero2030 programme, which we introduced in 2019. We aim to embed parts of the programme fully across the business, so that sustainability is integrated in our strategic and tactical initiatives and has a direct impact on our operations. The programme is made up of a series of projects with both a goal and an action, each of which will contribute to our sustainability ambition. We call these projects the Zeros of PostNL.

We want to motivate and inspire our people, our partners, our suppliers and our customers to work together to make our entire value chain sustainable. The projects focus on:

- Achieving our environmental targets
- Improving our reputation as a sustainable logistics company
- Create movement within PostNL and contribute to employee motivation

Financial and capital management

In managing our financials we essentially focus on two aspects. One is collaboration between business units and Group Finance to ensure consideration of dependencies and maintain oversight on a company level. A second is generating shareholder returns and allocating financial resources to investments in the development of our business. The choices we make in our financial and capital management programme are based on the contribution to our strategic objectives. The programme aims to ensure a strong balance sheet and financial position for PostNL. One of the most important outcome indicators of our programme is the so-called leverage ratio. Calculated as the ratio of adjusted net debt compared to adjusted EBITDA, our aim is to have a ratio not exceeding 2.0 and only accept risks that do not threaten this.

Cash flow generation

The basis for our financials is a solid business performance. All PostNL businesses are evaluated on their contribution to PostNL's profitability and cash flow, based on our annual strategic plan process and periodic planning and control cycle. Our strong strategic focus on profitability and cash flow had resulted in improved performance over the last two years.

In addition to business performance, we focus on managing our working capital and balance sheet. As a large company with high volume business, managing our working capital well, creates financial value.

Next to these structural drivers, we also carry out several other strategic projects that contribute to our cash management. Renegotiating our pension agreement is one example. And in 2020 we signed a sale-and-lease-back transaction for five sorting centres we operate in our Mail in the Netherlands business. This allows for more flexibility in the usage of our buildings, while the transaction provided gross proceeds of €150 million. And in relation to our strategic focus on the core of our company, we further de-risked our portfolio and divested Nexive, Spotta, Adeptiv and Cendris. These divestments enable us to further focus on our core activities, as we transform into the Benelux's favourite logistics supplier for mail and e-commerce.

Capital allocation

Our capital allocation priorities are based on our financial framework, normalised EBIT growth and solid cash conversion going forward. We aim to fund further growth and to provide a sustainable total return for shareholders.

Strong focus on capital allocation is essential to ensure we use our financial capital as efficiently as possible. We roughly divide our capital allocation in four areas:

- a. Investments in our business, including capacity growth, investments related to achieve further cost savings, maintenance capex and investments in working capital;
- b. Investments in the acceleration of our digital transformation;
- c. Pay out dividend to shareholders in line with our dividend policy;
- d. Mergers and acquisitions and further strengthening of our portfolio.

Excess cash could be used to compensated shareholders for the dilutive impact of stock dividend and/or share buybacks for further balance sheet optimisation / debt reduction.

We aim to pay dividend in line with our dividend policy, with a pay-out ratio of around 70% to 90% of normalised comprehensive income. Our pay-out ratio reflects a healthy balance of dividing the free cash flow between investing in growth, acceleration of our digital transformation and distributing dividend. This should result in attractive total shareholder returns, allowing shareholders to benefit from growth while at the same time being rewarded by a solid dividend.

Regulatory developments

Compliance with laws and regulations is an important pre-condition when executing our strategy. Due to the nature of our business and size of our company, we operate in an environment with many law and regulations to comply with.

These regulatory requirements are in development, just as our business is. In this section we explain the most relevant regulatory requirements, the developments and potential impact thereof on PostNL.

Regulatory developments in the Netherlands

The Dutch postal market has undergone fundamental changes in recent years. Since 2005, 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 law

In March 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 Dutch House of Representatives (Tweede Kamer) sent its remarks and questions on the proposed amendments on the Postal Law to the Dutch Government in May, addressing topics that included access regulation, the role of ACM, supervision of the labour market, consolidation, and protection of the universal postal service. This report is the first step in the parliamentary legislative process towards a renewed Postal Law. The State secretary of Economic Affairs and Climate has responded to the questions and remarks placed by Parliament in May. After this usually a political debate will take place in parliament about the proposal, however the exact timing of this process is unclear.

Consolidation

On 27 September 2019 the State secretary of Economic Affairs cleared the merger between PostNL and Sandd. This approval is subject to the condition that PostNL will provide access to other postal operators, respect its commitments towards workers and adhere to a profit cap based on the return on sales. On 11 June 2020 the Rotterdam district court (rechtbank Rotterdam) annulled the decision of the State secretary. Both the State secretary and PostNL have appealed against this annulment to the Trade and Industry Appeals Tribunal (CBb). As part of the appeal procedure the State secretary will issue a new decision, which is expected in Q2 2021. We do not expect a final ruling of the Tribunal before the end of 2021.

Minimum wage Sandd

PostNL has reached an agreement with FNV trade union regarding the minimum wage case of Sandd. Around 8,500 former employees of Sandd supposedly did not receive payment for all the hours worked. This originated before PostNL's acquisition of Sandd.

Labour Inspectorate

PostNL is accountable for potential breaches of the Foreign Nationals Employments Act (Wet Arbeid Vreemdelingen), both internally and through its contractors. In 2020, the Dutch Labour Inspectorate uncovered several breaches at some of our delivery partners. PostNL, which is looking at ways to prevent this from happening in the future, cannot rule out fines.

In July, the Dutch Labour Inspectorate visited PostNL facilities following a number of anonymous complaints regarding breaches of Covid-19 and social distancing rules, and again later in the year in response to a growing number of infected employees who they believed may have been infected at work. No serious regulation breaches were discovered. However, due to the government's Covid-19 regulations, additional requirements were imposed on the working conditions in our locations.

In response, we have immediately adjusted our processes and workspaces in all our locations. PostNL remains in close contact with the inspectorate, and has been in contact with local and regional health services throughout the pandemic whenever Covid-19 infections have occurred among employees.

38

EU regulations

VAT exemption on goods

The Council of the European Union has decided to abolish the VAT exemption on low value goods below €22 euro imported to the EU from third countries. In 2020, the European Member State representatives agreed to postpone the EU VAT e-commerce package from 1 January 2021 to 1 July 2021, primarily because of the disruption caused by the Covid-19 pandemic. While this will benefit customers, for example through the creation of a level playing field, it is expected to have an impact on our costs because the new procedures for customs clearance mean postal operators will have to collect the import VAT.

Evaluation of the Postal Service Directive

The European Commission (EC) is in the process of evaluating the Postal Service Directive (PSD). PostEurop and PostNL contributed to the stakeholder consultation, highlighting that the USO remains the starting point for legislation and further sector-specific legislation is not necessary. The evaluation report is expected in the second quarter of 2021, and will report if the PSD is fit for purpose or needs to be revised.

Digital Service and Market Acts

In December, the EC published proposals for the Digital Service Act, meant to increase responsibility of platforms in dealing with illegal content/illegal products, and the Digital Market Act, an ex-ante competition instrument aimed at the large international platforms.

PostNL provided input to PostEurop for their contribution in the stakeholder consultation, highlighting the need for addressing competition concerns regarding big international platforms and their increased bargaining power in the delivery sector.

International developments

Universal Postal Union

As a result of the Extraordinary congress in Geneva in 2019, the self declaration of rates for small packets with the USA was implemented as of July 2020. For the other relations, this system will start as of 1 January 2021.

As of this date, following UPU regulations, it is also mandatory to provide Electronic Advanced Data with all international shipments containing goods.

The next UPU congress, following a four year cycle, was planned to be held in Ivory Coast end of August last year but has been postponed due to the Covid-19 pandemic. The congress will now take place in August 2021 in Ivory Coast if the pandemic situation permits it at that time. If this is not the case, the congress will take place in Geneva in September in a remote and/or hybrid form.

Besides topics concerning the contribution system, the budget principles for the next cycle, remuneration proposals and the shortfall in the provident scheme, and the possible opening up of the UPU to the wider postal sector, will probably also be on the agenda for this congress.

Brexit

The United Kingdom formally left the European Union on 31 January 2020 but a transition period was agreed during which the UK would remain part of the single market. This transition period ended 1 January 2021 at which time customs formalities were required for moving goods between the EU and the UK. Unlike the postponement as agreed in the EU, the UK has removed the Low Value Consignment Relief at this date as well for all commercial goods. A new VAT scheme applies for commercial items valued between £0 and £135 where sellers must pay VAT direct to UK. The £39 gift threshold for which no VAT will be levied, remains in place for private individuals. On the 24 December 2020 the EU and the UK reached a trade agreement whereby items above £135 or €150, will also be exempt from duties if the items originate from either the UK or the EU. In this trade agreement it was also confirmed that Northern Ireland will remain in the EU's single market for goods meaning that customs formalities will only be needed between Great Britain and Northern Ireland but not between the EU and Northern Ireland.

PostNL has adjusted its product conditions and processes as of 1 January 2021 to account for all changes as described above.



Digitalisation within PostNL: Our CIO's view

39

Digitalisation is transforming our business. IT and data enable us to integrate seamlessly with customers, meaning we can better tailor our services to their wishes. And as the nerve centre of our logistics processes, IT and data support us in providing interconnected services, 24/7. PostNL chief information officer (CIO) Marcel Krom discusses digital developments across the company.

When we work on developing new systems and processes, we concentrate on three areas: agility, scalability and adaptability. Of these three, adaptability enables you to not only survive, but also thrive. But we are also working to make our agile teams 100% focused on the customer journey, to enhance the customer experience."

What do we mean with digitalisation?

"The IT organisation has been fully integrated into the company, and we are investing in the digitalisation of both our network processes and customer journeys. This digital transformation means we are shifting from technology push to business pull. Which means we are using IT and data to provide a seamless customer journey, create new delivery options, and open up new markets. And we need to be 100% reliable: this means no downtime. Digital Next, our company-wide transformation programme will help us execute our digital strategy even faster, leading to a smarter, more agile company that can continue to exceed customer expectations."

Does digitalisation also strengthen our competitive position?

"Absolutely. Digitalisation helps us improve processes across the entire organisation, from strengthening the customer experience to creating more efficient operations. For example, it helps us respond to the needs of our customers and consumers more rapidly, enabling us to build stronger bonds. It allows us to create a faster, more efficient supply chain and cut costs by automating activities and improving the flow of information. And it helps us grow our network capacity, making us better positioned to adapt to changing market requirements."

Can you give examples of how this impacts our business?

"Our focus is on introducing greater simplicity, which will facilitate further digitalisation and improve the pace of innovation. In Parcels, for example, we have established a group that is going to fully digitise the business's supply chain. This makes it easier to access data and information, improving efficiency and communication.

Looking ahead, how will we continue to progress?

"We are focusing on a broad digital transformation at PostNL, developing distinctive customer and consumer experiences and innovative business models to further strengthen our competitive position in a changing marketplace. Going forward, we will accelerate the digitisation of our products, journeys and channels, placing our customers at the heart of our decision making."

Customer value

In 2020 we demonstrated the strength of our business model under challenging circumstances, connecting the millions of senders and receivers that rely on us every day. Our strong operations ensured our customers could continue to do business, and consumers could continue to connect while remaining at home.



Customer value

Key performance indicators

Customer experience
Highly satisfied customers

↑
37%

2019: 27%

Customer experience
Satisfied customers

↑
83%

2019: 80%

E-commerce growth
Share of e-commerce revenue

↑
57%

2019: 52%

E-commerce growth
Delivery quality
Parcels in NL

↑
99%

2019: 98% (unaudited)

Relevance of physical mail
Delivery quality
Mail in NL
(preliminary)

=
94%

2019: 94%



Performance summary

Capturing growth, delivering value

Surge in e-commerce growth

One of the most notable consequences of the Covid-19 crisis was the surge in e-commerce growth, with the transition from offline to online accelerating. We have seen a change in consumer behaviour driven by the measures taken to combat the pandemic. At the same time, various customers and retailers accelerated their digitalisation programmes and are increasing their investments in e-commerce.

We delivered a record 337 million parcels in 2020, a 19% increase compared to 2019. We estimate around 25 million to be related to specific, non-recurring consumer spending from those transitioning from offline to online during the pandemic.

In the highly competitive environment, we managed to maintain our leading position while losing a small amount of market share, with a strategy of managing margins over volume. Our main challenge was to capture this e-commerce growth. Commercially, we collaborated closely with our e-commerce customers to manage volumes, while we also helped many smaller shops to go online, as they responded to a surge in online purchasing during the first wave. While in previous years we scaled up our processing capacity at a few peak moments, in 2020 we had to introduce a more structural scale up. During the first wave of the pandemic we processed many more parcels than on average, while at peak moments towards the end of the year volumes were significantly higher than those at the beginning of the year. The end-of-year peak in 2020 also began earlier and lasted longer than we typically see. This structural scale up included intensifying the use of our sorting centres, introducing additional vehicles and recruiting new colleagues. In addition, the flexibility of our networks and our logistical expertise played a crucial role in achieving our result.

Focus on the value of physical mail

At Mail in the Netherlands, performance was marked by two main developments. Accelerated volume decline in bulk mail volumes and a boost in greeting cards and mailbox gifts. Following the outbreak of Covid-19 in the first half of 2020, we experienced an accelerated decline in bulk mail volumes, which stabilised in the second half of the year. Many customers postponed direct mail campaigns until the fourth quarter of the year.

Driven by the lockdown measures, social distancing and a reduction in socialising became the norm. People started to send more greetings cards and gifts using letterbox parcels in both the first and second wave of the pandemic, underpinning the value of connecting through physical mail. On peak days during the last few weeks of the year, we were delivering 14 million mail items across

the Netherlands, which is more than 70% higher than we delivered on an average day in 2020.

To process the extra volumes, we added extra delivery days and post box collections, and opened sorting centres on Sundays. In December we also hired more people in our operations, for example to increase our sorting capacity and mail delivery.

And while we completed the integration of the postal networks of PostNL and Sandd ahead of plan, delivering the anticipated benefits and synergies, the pandemic meant we had to temporarily postpone a small percentage of cost-saving initiatives.

We continued to transform into a more e-commerce logistic service provider, with the share of e-commerce revenues growing by another 5% to 57% in 2020. This was driven by volume development and yield management initiatives at Parcels, combined with moderate price increases at Mail in the Netherlands.

PostNL Progress on transformation as indicated

2019, 2020

Year ended at 31 December	2019	2020
Share of e-commerce revenue	52%	57%
Parcel volume (in million items)	283	337
Addressed mail volume (in million items)	1,742	2,054

Strong business performance at Spring

We saw strong revenue growth at Spring, boosted by accelerating e-commerce-related revenue both in Asia and Europe. We captured this growth partly because we continued to offer our services at the beginning of the pandemic, while other market players temporarily halted their operations. Part of this growth was an effect of increased online shopping due to Covid-19 restrictions in countries around the world. At the same time, international mail import volumes dropped during the pandemic, while export volumes grew.

Creating value for customers

Providing customer value is a key driver within the company, and we believe that during the pandemic we have demonstrated the many ways we achieve this. From providing webshops and e-tailers with logistic solutions that support their e-commerce business, to ensuring senders and receivers can connect and communicate through physical mail, our adaptability, reliability and resilience were demonstrated in 2020.

However, the growth of e-commerce during the Covid-19 pandemic placed unprecedented pressure on our networks. The unprecedented volume of parcels entering our network towards the end of the year meant we were forced to refuse some customer deliveries over a number of days.

Saying no to customers, especially in the festive season, was a hard decision to make. But it was taken to protect the health and safety of our employees, and the integrity of our network and processes. As always, we continue to work closely with customers and e-tailers to manage their expectations.

Across the company, the percentage of highly satisfied customers increased by 10% points to 37% in 2020. This exceeded our annual target of 29%. Despite continuous pressure on our business, which operated at significantly increased network performance levels for almost the entire year, our customer satisfaction score at Parcels was 83%. At Mail in the Netherlands, customer satisfaction levels increased to 83%. This was due to consumers appreciating that our service continued uninterrupted throughout the crisis, and the successful integration of both networks. We also saw significant growth in customer satisfaction at Spring in 2020. Our target for 2021 is to remain at 2020 levels for the share of highly satisfied customers.

PostNL Customer satisfaction as indicated

2019 - 2021

Year ended at 31 December	Target		Target	
	2019	2020	2020	2021
Share of highly satisfied customers	27%	29%	37%	37%
Share of satisfied customers	80%	-	83%	-

We continued to develop and roll out new digital and data-driven solutions for customers, such as an address request option, which lets users quickly and easily collect addresses from their contacts. And we made good progress with the digitalisation of our products and services, which strengthen our competitive position and contribute to customer satisfaction.

On a broader level, we also saw a significant increase in our reputation score, to 73.9 from 67.1 in 2019. This is another example of how much our services were valued in 2020.

Protecting our networks and focusing on quality

Despite the strong volume growth, delivery quality at Parcels remained high throughout the majority of 2020, at 99% across our sorting and delivery processes in the Netherlands. During the year we communicated with customers through a range of channels to provide tips on how to inform consumers about the benefit of ordering in time, preventing an end-of-year sprint, and better managing the flow of parcels.

However, there were moments throughout the year when our network reached the limits of its capacity. During the volume peak towards the end of the year we were unable to collect all customer volumes.

This led to delays in consumer orders and adversely impacted out customers' experience, increasing the traffic to our customer service centre. We never want to have to refuse customer deliveries, but this was a difficult but necessary temporary step taken to protect our people, network and logistics from extreme pressure. Our delivery quality target for 2021 remains the same as for 2020 at 98%.

At Mail in the Netherlands, we delivered over 94% of consumer mail by the next delivery day in 2020, below our 95% target. Our quality levels were affected in a number of ways throughout the year. During the pandemic, we had to make adjustments to ensure safe working conditions for our people. We also faced severe operational pressure at the beginning of the pandemic, when there was a peak in greeting cards and mailbox gifts, and again at the end of the year with the December Christmas card peak. The closure of many retail locations also led to many operational delays. Despite the challenges, we are proud both of the tremendous efforts of our people to continue our mail service throughout the entire year, and that they delivered 25% more Christmas cards than during an average year.

Our focus for 2021 is to return to delivery quality levels of 95% or higher. 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. In 2021 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.

PostNL Delivery quality as indicated

2019 - 2021

Year ended at 31 December	Target		Target	
	2019	2020	2020	2021
Delivery quality Parcels in the Netherlands	98% ¹	98%	99%	98%
Delivery quality Mail in the Netherlands (preliminary)	94%	95%	94%	95%

¹ 2019 not audited

Strategy execution

In the remainder of this chapter we outline how we execute the strategy that is outlined in the 'Our strategy' chapter. Throughout the chapter we explain how our focus on relevant improvement areas and programmes helps us achieve our strategic objectives, which are to help customers grow their business and secure a sustainable mail business. For each focus area we provide examples that illustrate the events, initiatives and related outputs that contributed to our performance.



Capacity growth at Parcels

At the beginning of the Covid-19 pandemic, PostNL increased its processing capacity considerably, before again significantly raising capacity in the holiday season around Christmas. As operations director at Parcels, Iris van Wees knows what it takes to realise such enormous growth.

End-of-year peak busier than ever

Iris: "The end-of-year peak has become increasingly busier over the last few years, partly because of the popularity of Black Friday. But in 2020 we had the Covid-19 pandemic to deal with on top of this. As in prior years, we trained many new people to help us during this period. We also bought more trolleys, chartered extra trucks and opened extra locations. In addition, all of our parcel sorting centres operated on Sundays in 2020. Normally 12 of them are open throughout the year, but in 2020 all 25 were open. From Monday to Saturday, we had 6 full delivery days. In the months leading up to November we had about 800 trucks on the roads, but during the peak that increased to 1,100."

We also worked closely with customers and consumers to help keep the stream of parcels manageable. Iris: "We asked large e-tailers to spread their promotions over a number of months, as it's easier for us to process promotions for Sinterklaas (5 December) in November than at the beginning of December. And we asked consumers to delay returning their parcels until 7 January. And to order on time!"

Team spirit is stronger

"On peak days we process around 1.7 million parcels, which is about the maximum we can process while safeguarding the health and safety of our people. That is our priority. The Covid-19 measures change the way we work, but thankfully the atmosphere is still the same. If I visit one of our locations, I feel that team spirit strongly. I really think we do this together: from the deliverers, sorters and truck drivers to the logistic engineers and colleagues at the head office. Incidentally, there were more people from the head office helping out both in our Parcels and our Mail in the Netherlands business. Together we really do make it happen!"



Capture e-commerce growth and manage network capacity

We are helping to shape the growth of e-commerce by expanding our network, while increasing the efficiency of our existing infrastructure. We also provide customers with data and insights to help them develop their e-commerce offerings, supply e-tailers with fulfilment solutions, and help small businesses bring their goods online. Parcel volume in 2020 was around 19% higher than 2019, and while part of this growth was due to specific, non-recurring, consumer spending as a result of the pandemic, we expect the market to continue to grow. Consumer behaviour changed during the pandemic, with more people making online purchases and experiencing the benefits of e-commerce. Our focus for the last-mile is to offer innovative solutions that provide customers with a broad range of delivery options.

Expanding our Parcels network

We are continually adapting our network and network requirements as the e-commerce market grows, and the mail market evolves. Planning and realising new sorting centres and logistic capacity are multi-year projects based on growth projections. The severity of the Covid-19 pandemic was unexpected, and the sharp rise in e-commerce meant volumes had to be absorbed within our current locations. While no new sorting centres were planned for 2020, we managed to significantly scale up our processing capacity by extending operating hours, expanding our routes and fleet, and escalating the use of the retail network. And while we are proud of the how we responded, it was an operational challenge. By the end of the year we had reached the limits of our processing capacity, which had a knock-on effect for customers and consumers. Going forward, it remains vital that we find the right balance between generating sufficient capacity to capture growth and serve customers and consumers, while remaining cost effective and reducing the risk of excess capacity.

To manage the volume growth in 2020, we rolled out additional capacity across the Benelux. In Zaltbommel in the Netherlands, we moved into a new cross-dock facility that enables us to process transshipments during the night streamlining our inter-depot flows. This depot replaces our cross-dock facility at Nieuwegein, which we will transform into a small parcel sorting centre (SPSC), enabling us to sort the growing volumes of small parcels more efficiently than our current sorting centres. The SPSC, which will enable us to expand our network capacity by 10-15%, will open in 2021. We also began developing a new sorting centre in Westzaan in the Netherlands, which we will open in 2021. Once operational, this centre will be capable of processing up to 60,000 parcels per day.

As wholesalers and retailers optimise their sales channels, they increasingly need state-of-the-art warehousing and fulfilment. In 2020 we continued to develop the second in-house fulfilment

centre for bol.com, one of the Netherlands leading e-tailers. The centre will open in the second half of 2021. In Belgium, we opened a new parcel depot in Mechelen, which will help us process the parcel volumes created by the country's growing e-commerce sector, which was boosted by the pandemic effect. We also broke ground on a new high-tech parcel sorting centre in Willebroek, which will be built in 2021 and fully operational at the beginning of 2022 at the latest.

Continued focus on retail

We also continued to focus on and expand our retail network, making it easier for customers to collect and return parcels. By year-end, we had 3,760 retail locations across the Netherlands (2019: 3,387). Including parcel and letter lockers, these increase the number of parcel points in the Netherlands to 3,906 (2019: 3,508). In Belgium we had 526 retail locations at year-end (2019: 447).

The closure of non-essential shops for extended periods during the Covid-19 pandemic has had an impact on our retail network. While the Dutch government ordered non-essential shops to close from December 15, those offering mail and parcel services were allowed to remain open to carry out those specific services only.

However, they help maintain the flow of parcels through the system, enabling e-tailers to drop parcels off and consumers to collect, send and return items. They also continue to play an important role in society, which is why we continually invest in and expand the number of retail points across the Benelux. We invested around €4 million to provide support to retailers over and above their usual fee during the lockdown in December 2020 and €14.5 million in January and February of 2021, with 85% of retail points remaining open. We also set up mobile parcel pickup points, which helped process volumes redirected as a result of non-essential shop closures.

We also began making changes to our retail points to improve the consumer experience. Staff at retail locations are now provided with a photo of a consumer's parcel on their terminal, making it easier to find. We expanded the number of Scan & Go points, which let customers drop-off parcels themselves, and began opening unmanned parcel points at a wider variety of locations, such as gyms, museums, and libraries. Customers are looking to pickup and drop-off parcels quickly and easily, and we believe expanding our network of unmanned locations introduces the right level of convenience and flexibility.

Parcel and letter lockers

Our self-service parcel and letter lockers continue to be popular among consumers, who are able to send letters and pick up and send parcels 24/7 at locations across the Netherlands. We opened 25 additional lockers in 2020, including at supermarkets, DIY stores and petrol stations, bringing the total to 146 by year-end.

They contribute to our strategy of providing consumers with access to our services across a broad range of channels. We also replaced a number of smaller lockers that had compartments for 16 parcels, with larger versions that have 49 compartments. Our newest lockers are designed using a data-driven process, which results in the optimal use of space within the locker. Additionally, an algorithm analysing usage prevents the lockers from becoming overloaded.

Seizing international e-commerce opportunities

The international e-commerce market grew rapidly in 2020, and Spring helped ensure that consumers purchasing goods from e-tailers abroad received them quickly and efficiently. Our focus on remaining open and accessible throughout the pandemic meant that customers were able to rely on us to process their orders quickly and securely. Unlike many operators, we maintained our services during the first wave of the pandemic. While the sharp reduction in air freight capacity meant it was extremely challenging to ensure we had enough network capacity, we used all available space to meet the needs of our customers. And with the Covid-19 pandemic causing a reduction in international mail volumes, this was the first year that our international e-commerce business overtook the traditional international mail business. More information on how we achieved growth in international e-commerce in 2020 can be found in a separate story box later in this chapter.

Value of physical mail

In 2020 we truly saw the power of physical mail, as people connected with friends and loved ones through mail. Driven by a combination of the lockdown measures and restrictions on socialising, people started to send more greetings cards and gifts using letterbox parcels in both the first and second wave of the pandemic, underpinning the value of connecting through physical mail.

Large customers also understand the power of reaching their target group using physical mail. For large e-commerce companies, direct mail remains a powerful way of connecting with the right audience. They can send mailings in targeted ways to households across the country, making selections based on demographics such as age group or location. One example is e-tailer bol.com, which used us to deliver 1.6 million of its toy catalogues.

For vital social initiatives, such as election campaigns or the organ donor register, mail is still the tried and trusted solution. For national elections, all registered voters are sent a polling card by post prior to the election, which they have to use on election day. And in 2020 we delivered a mailing campaign to over 5 million people across the Netherlands for the organ donor register, a life-giving initiative.



Working to reach 90 countries

At the beginning of the Covid-19 pandemic, a number of countries closed their borders to traffic from abroad, leading to reduced air traffic. As a result, more than 90 countries became inaccessible. Eildert Panman and his colleagues at Cross Border Solutions (CBS) worked to make these countries accessible again. "CBS set up a crisis team with people from different departments, which tracked exactly to which countries planes would fly. The team then worked on finding other ways to reach those countries. We used more freight planes, while within Europe we chartered more trucks. And on a couple of occasions mail for the United States was delivered by ship. The crisis team tracks which mail batch is being sent by which method. Everybody is very motivated, and we all want the mail to be delivered. The atmosphere is good, and our efforts meant we were able to reduce the number of destinations that we couldn't reach. In fact, we are doing so well that other countries want to have their international mail delivered via the Netherlands, which is a great compliment."

45



Deliver smart logistic solutions

From improving inner city distribution to creating new delivery options, smart logistics is the key to ensuring customers' goods are moved quickly, efficiently and sustainably from collection to delivery. By producing a convenient shopping experience, while developing and bringing new delivery options to the market, we help customers across every industry and sector connect. At the same time, further automation in our logistic operations are aimed at increasing delivery quality and efficiency.

Developing health logistics

With an ageing population and constant improvements in medicine, health care is changing rapidly. This is leading to a greater focus on health provision at home, which requires new delivery and logistics solutions. By focusing on developing services for this changing health market, we enable healthcare providers to concentrate on looking after patients and the elderly.

In 2020, we took a minority stake in the healthcare arm of Dutch company CB. The new partnership, CB Healthcare, will enable us to collaborate even more closely to support healthcare sector clients with an array of logistics solutions, such as deliveries of wound care and incontinence products to people's homes and care institutions. The partnership aims to support a growing societal need for direct deliveries of (preventive) care to the elderly and patients in the home, as well as the growing demand for logistics support from hospitals and care institutions.

During the year we continued to focus on offering services through Roamlar Care, which we operate as a joint venture with Roamlar. Roamlar Care is a home care platform that connects self-employed home care providers with sick or elderly people linked to care institutions. Our focus in 2020 was on making it easier for care workers to more easily organise and manage their hours on line, thereby reducing the time they spend on administration and increasing the time they have available to provide care.

We also established a partnership with Fundis, a Dutch care provider. As with Roamlar Care, we provide a platform that facilitates care provided by care institutions through self-employed healthcare workers. This makes it simpler for both parties to make connections and deal with administration.

In 2020 we launched a new service to send medicines by mail, using a special tamper-proof envelope, which we are currently testing with two major pharmacies. Sending medicines by post has a number of clear advantages. As well as easing pressure on hospitals and pharmacies through reduced patient visits, it also cuts patient journeys and helps lower transport emissions. Our aim is to process 150,000 additional letterbox packages with medicines in 2021, and grow this volume to more than 1 million packages in 2023.

Expansion of Pharma in Belgium

Our Pharma & Care operations in Belgium experienced strong growth in 2020, driven mainly by the Covid-19 crisis. As the market leader in the delivery of medical provisions to healthcare institutions, Pharma & Care Belgium has played a role throughout the pandemic. They have ensured a smooth flow of medical shipments to hospitals and pharmacies, despite having to process volumes well above daily averages. Working with our Mikropakket network, Pharma & Care Belgium went live with a new key customer, GSK. The company also began introducing a new IT network, which will enable it to continue to expand its services within both the 2B and 2C markets.

Helping to grow platforms

We continued to work with a range of platforms in 2020. One was Marktplaats, the market-leading C2C sales platform in the Netherlands, which we have helped for a number of years by making it easier for consumers to send parcels via the site. In 2020 over 2 million shipping labels were created through the integration with Marktplaats, a sharp rise year-on-year. We also worked with Catawiki, an online marketplace that holds weekly auctions, and other sales platforms and e-tailers to make sending and delivery to the end consumer as simple as possible.

Expanding food sector

Home food delivery from food retailers and specialist meal providers accelerated in 2020, driven by restaurant closures and people's desire to avoid shops during the Covid-19 pandemic.

We continued to expand the number of customers for whom we carry out last-mile delivery of food boxes. For example, we now provide grocery deliveries for the Hoogvliet supermarket chain, and Pieter Pot, a start-up that offers groceries delivered in reusable glass pots instead of disposable packaging. One of our unique selling points is that we can offer nationwide delivery.

We also provide delivery options and specialised packaging solutions for small or specialist e-tailers and retailers, ensuring that they can have their goods – from fish to oriental groceries – delivered swiftly and on time to consumers across the country.

We continue to use an array of networks to process customers' food deliveries, including our Parcels and Cargo networks and our specialised food delivery network. This enables us to provide morning deliveries of bread and cakes through our time-critical network, and same-day and evening delivery across our Parcels network. We offered food deliveries one day per week across the Flanders region of Belgium throughout 2020, and at the beginning of 2021 expanded this to two days per week. We expect to be able to triple food delivery volumes across the region in 2021 as a result of adding the extra delivery day.

Growth of home & garden

We continued to grow within the home & garden domain, delivering e-commerce XL goods through our Extra@Home and JP Haarlem services as consumers increasingly select expert installation services combined with reliable delivery.

'Ship from store' service

One of the consequences of the sharp growth in e-commerce is business customers embracing new products that we offer. One example is our 'ship from store' service, where customers can use their store as a mini fulfilment location. When a consumer order is placed, we pick up the goods by electric bike from the nearest store rather than from the customer's depot. This is more convenient for the customer and contributes to emission-free last-mile delivery.

Data solutions for international deliveries

As the cross-border market expands and consumers become more demanding, the importance of data in connecting international supply chains to e-tailers and consumers across the globe increases. In 2020, we introduced a new IT system at Spring, which helps us better serve customers by enabling more options in logistical solutions, based on the needs of our customers and the products that they ship. We are also working hard on solutions that adapt to a changing regulatory environment, such as the impact of Brexit or the EU VAT e-commerce package, which will come into effect on 1 July 2021. In 2020 we worked hard to adapt our systems and processes to ensure that our customers are in compliance with the new regulations from July.

Enhance customer interaction

We increasingly use data and digital solutions to help create seamless customer interactions and ensure a smooth delivery process, so that customer involvement with us is simple, reliable, and driven by them. Below we outline some key customer-interaction developments from 2020.

Continuous growth in digital connections with customers

The number of consumers that connected with us digitally through a PostNL account continued to grow in 2020, resulting in 6 million unique accounts by year-end (2019: 5.3 million). At the end of the year, almost 1.5 million users had activated 'Mijn Post' in the PostNL app, a significant increase on 2019, highlighting the importance consumers place on digital connections for both mail and parcels. The app has become an increasingly important tool since its launch, enabling us to connect with customers and consumers and roll out services that provide them with greater independence and freedom. And we had 779 million unique visits to our website, 60% of which were on our app. Going forward, we want it to become *the* app consumers choose when managing their e-commerce and postal services.



Care delivered at home

Nicolas Vannieuwenhuyze is general manager of Pharma & Care Belgium, where in the last year he saw volumes double. "PostNL delivers medical equipment and medication to pharmacies, wholesale companies and hospitals using climate-controlled transport. We are already the largest provider of such transport in Belgium. During peak moments we saw a shift from the 'normal' volumes because regular care was on hold. But the demand for face masks and other supplies exploded. For example, we organised the emergency transport of anaesthetics for corona patients on numerous occasions for the Belgian government. And for the Dutch government we are now transporting syringes and needles from Belgium to the Netherlands."

Our focus is to do much more in the health sector, which Nicolas believes is a mixture of exciting and challenging. "Because we are talking about people's health, everything needs to work perfectly. But with the attention we pay to our processes, and the commitment of our people, I am confident we will make it."



In 2020 we continued to add functionality to the app, as we made it easier for users to access information about the status of their letters and parcels. As international e-commerce continues to grow strongly, we launched a function that enables users to pay clearance costs for deliveries online, meaning they will receive their packages faster. And sending a parcel through the app couldn't be easier. Labels can be purchased directly in the app, which can then be printed at the retail point when dropping off the parcel. But sometimes things go wrong, and senders purchase the wrong label. This year we introduced an email service that notifies them when they buy the wrong label, including the price difference between the label they purchased and the one they should have purchased. The mail contains a link to an online payment site, so the difference can be paid immediately.

We also launched an address request option that enables users to quickly and easily collect addresses from their contacts. You simply send an address request via WhatsApp to the people whose address you need, and the addresses are collected online in the app.

The stamp code, which enables users to purchase a stamp in the app by receiving a nine-digit code that they write on the envelope, continued to grow in popularity. In 2020 it was purchased around 3.5 million times (2019: 1.6 million). The international stamp code we launched in 2019, for countries outside the European Union, also saw strong use during the year.

We introduced a service that informs consumers about how busy it is at a retail point, so they can choose the best moment to drop off or pick up their parcel. This helps reduce waiting times and relieves pressure on staff. And in those cases where packages are delayed, we now send users a message through the app. We also offer them a small gift, such as a digital book, which has been well received.

To ensure that everyone can use our digital services, in 2020 we worked on guidelines to improve digital accessibility. This included improving accessibility of the PostNL app, for example by making it more available for visually impaired consumers thanks to the dark mode and reading function.

Digitising business customer interaction

We want our sales and service processes to operate digitally, while still ensuring that we meet customers' needs: offering convenience, a personal approach and the right support. In 2020 we further enhanced the business version of 'Mijn PostNL', which enables e-tailers to arrange services online rather than having to call or email us. For example, customers can now indicate how many roll containers they need. This focus on digital communication gives customers greater flexibility in managing their interaction with us whenever and wherever they want. By year-end, we had over 90,000 active business customers on 'Mijn PostNL' (2019: 75,000).

Taking Daan, our digital assistant, to the next level

In 2020 we fully deployed Daan, our Dutch-language digital assistant, which is now involved in 97% of the questions initiated by customers online. We also expanded the range of questions Daan can deal with, with the result that Daan can now solve 43% of customer questions alone.

We also rolled out Sam, a chatbot for customers in Belgium, and began working on a chatbot for business customers, called Noor. Machine learning means we are able to take chatbots to the next level, which improves the customer experience and helps reduce the cost per query answered.

Customer communication, customer care

Like many companies, our customer interaction was impacted by the Covid-19 crisis in 2020. However, our focus remained on providing accurate and reliable information, high-quality service, and a relevant, personalised and unique experience, and we worked to achieve this despite our call centres closing and our employees having to work remotely. Our consumer contact service acted as a vital source of information, for example on Covid-19 and how to better manage parcel flows.

At Parcels, we provided customers with a weekly Covid-19 update that summarised all the key measures and developments, including our response. In the spring, we communicated with customers to discuss the importance of notifying consumers about deadlines, so that they could order in time for Easter, King's Day, and other public holidays. Ahead of Black Friday in November, and in the weeks leading up to Sinterklaas at the beginning of December and before Christmas, we communicated with customers through a range of channels to provide tips on how to inform consumers about the benefits of ordering in time, preventing an end-of-year sprint, and better managing the flow of parcels.

Towards the end of the year we faced a dilemma. Our promise is to deliver customers' shipments, but the unprecedented volume of parcels entering our network meant we were forced to refuse some customer deliveries over a number of days. Saying no to customers, especially in the festive season, was a hard decision to make. But it was taken to protect the health and safety of our employees, and the integrity of our network and processes. While it was clear our network can be stretched to its absolute limit during exceptional events, such as the Covid-19 crisis, we learned that clear communication, managing customer expectations, and innovation and adaptability are vital to limit the impact of such events.

At Mail in the Netherlands, we continued to make customers aware that our postal services remain reliable, accessible and affordable for everyone. During the year we ran a number of campaigns that highlighted our people's contribution and the value of physical mail. This included a television campaign – 'We go outside, so you can stay inside' – about the value of our mail deliverers, and towards the end of the year launched the Christmas stamps.

And while we have strong focus on delivering with the high quality, our service is not always flawless. Although 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 does go 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.

Improve customer service concepts

We continued to develop our customer concepts in 2020. One example is our direct mail offerings, which help customers make a stronger connection with specifically targeted consumer groups. During the year we launched a pilot with pre-printed franking codes, which enables customers to set up member-get-member campaigns. If consumers receive a direct mail offering, they can send it to someone else for free. The original sender only pays when the franking code is detected in our network. A number of large customers, such as Koffievoordeel, Nederlandse Loterijen Organisatie, and Milieudefensie, picked up this new service.

We are also helping e-commerce players, particularly meal and food delivery companies, discover the power of direct mail. One large food delivery company is now using direct mail extensively, having seen that the return on investment is greater than online marketing campaigns, which are typically crowded environments.

We also continued to evolve our customer service internally. As a large company that provides customers with a range of products and services through multiple business units, it can be challenging to maintain a single customer view. Which is why in 2020 we began providing customers with a single account manager who acts as their primary contact point within PostNL.

We also began by creating a harmonised view of customer insights across the business units, based on a single segmentation matrix, which gives us a better understanding of customers' needs. We also created a preferred way to serve different types of customers, which is applicable across PostNL. For example, large, high-value customers may need personal service and a high level of support from other departments, while smaller, transaction-focused customers may prefer to be served digitally. We will roll out this integrated approach fully in 2021.

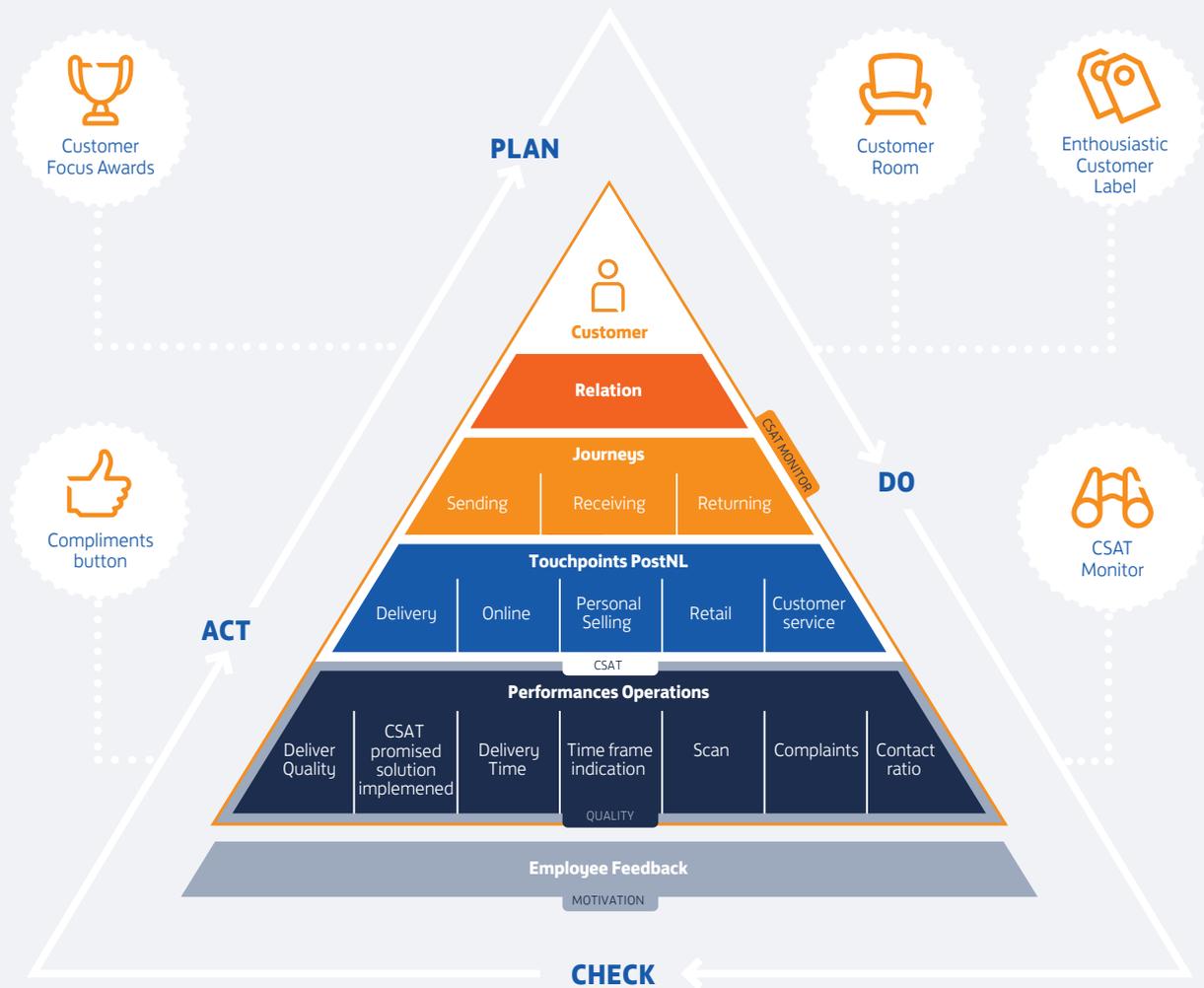


Contacting the sender in the customer panel

As we work to serve our customers as well as we can, we are developing self-service customer concepts. Duco Dalenoord is closely involved in this journey, and he explains that we do this in full collaboration with the customer. "We begin by developing the customer journey for corporate customers, which then provides us with direction for the self-service concepts. We then organise a customer panel, where we introduce ideas before rolling out and testing newly developed self-service concepts that have been turned into viable products. This means the customer is involved right from the very beginning, which makes the customer happy and keeps us on our toes. And it means that we always put the customer first."



PostNL **Managing our customer experience**



Managing our customer experience

We operate in a fast-changing, competitive market, and loyal customers are essential to our success. Which is why optimising the customer experience is a core part of our strategy.

In 2020 we focused on better understanding our customers and acting upon customer feedback, which involves measuring customer satisfaction at three levels: relational, journey and touchpoint.

At the relational level, we measure the strength of the relationship we have with a customer, and their loyalty. At the journey level, we want to understand how customers experience the PostNL journey, from sending to receiving

or returning. And at the touchpoint level, we look at how a customer views a defined point of contact with us, such as online or our customer service. We then use performance indicators to measure the results, and listen carefully to feedback.

We have been using the CSAT monitor for many years to anchor and follow the progress of our actions on individual items. The integrated model we have developed in 2020 will enable us to more comprehensively steer, using a combination of the three levels going forward. This helps us create greater engagement and encourages employees to collaborate more intensively, helping them to focus on the bigger picture and, ultimately, improve customer satisfaction.

Lead through business model innovations

Bringing innovative value propositions to the market benefits our customers and helps us grow our business. In 2020 we worked on accelerating the time to market of our innovative solutions, and continued to develop solutions directly with customers.

Roll container tracking beacons

We use around 250,000 roll containers to move mail and parcels efficiently across our networks. In 2020 we introduced a programme to help us better understand the flow of these containers across our networks, using wireless trackers. Each roll container is equipped with a tracker that sends out a signal that is picked up at different points through the delivery chain, such as at our sorting centres or onboard our trucks. This enables us to follow the entire roll container fleet in real-time through our networks.

Focusing on digitising the customer journey in the first mile will lead to a number of benefits for customers and PostNL. It'll help us prevent containers from going missing and realise savings in collection, inter-transport and packaging journeys. It will also provide more detailed data into collection volumes, and where and when we collect mail and parcels. This will enable us to more accurately forecast and plan, and produce more precise pricing models, which will help us offer customers an improved service. We will also be able to better respond to customers' delivery needs, by providing them with more information on return flows.

We received 50,000 trackers in 2020, and have another 200,000 on order. Once fully operational, we expect the programme to deliver savings and reduce our capex on new containers.

Atlas IT system

Robust and future-proof IT systems are vital to help improve and digitise the customer journey while keeping pace with e-commerce growth. In 2020 we replaced and upgraded one of the most important IT systems within Parcels, expanding our data-processing capacity significantly.

Called Atlas IT, the new platform improves data quality, reliability and the speed at which information is processed and delivered. It is more scalable than the system it replaces, with the capacity to process over a billion parcels per year, and is responsive, enabling operational changes to be implemented within hours rather than the days or weeks it took under the system it replaces.

The new software system has also been introduced on the handheld devices used by parcel deliverers, which means we can now launch new convenience propositions for customers. For example, in the first quarter of 2021 we are introducing new delivery preferences for consumers, giving them greater control over the

receipt of their parcels. Consumers will be able to tell us where they want their parcel delivered to, such as their home, a PostNL point or a parcel safe. They will also be able to select what happens with the parcel when they are not at home, such as being delivered to a neighbour, dropped at a PostNL point or left at another location.

Drone

In 2020 we began working with a number of partners to develop a medical drone service. The drone has a special compartment for transporting medical goods, which keeps them stable throughout the journey. In the future, we envisage it transporting blood and tissue samples, medication, blood bags, or even an automated external defibrillator (AED). We initially received a permit to test the drone between Meppel and Zwolle, and will carry out more test flights and strengthen collaboration with healthcare parties in 2021.

As a market leader in the delivery of medicines to hospitals, we are looking at ways to use smart logistical solutions to organise healthcare differently, keeping it accessible and available across the Netherlands, while providing solutions during crises such as Covid-19. Our ambition is to help operate a safe daily drone service within three years for the Dutch healthcare sector, and the first step is working with our partners to gain experience flying drones over longer distances.

The rise in robotisation

Robotisation in fulfilment and sorting

In 2020 we optimised and increased the output capacity at our Houten fulfilment centre by more than 20% on the back of increased customer demand during the pandemic. Looking ahead, we will see an increase in robotised operations at our small parcel sorting centre (SPSC), which will open in 2021 and at our mail sorting centres. The SPSC will help us sort the growing volumes of small parcels more efficiently than our current sorting centres.

We aim to double our robotised fulfilment capacity in 2021, and will introduce a team that specialises on process mechanisation and growth acceleration. And at our parcel sorting and distribution centre at Wommelgem in Belgium, we introduced a pilot using robot sorters. We will analyse the outcome of this pilot in 2021.

At fulfilment, we aim to more than double our robot and fulfilment capacity in 2021. A new expert team will focus on process mechanisation and growth acceleration. We will also implement AI and algorithms to automatise our process planning.

Increase in robotisation in back office processes

While our shift towards digitalisation increases competitiveness and boosts customer satisfaction, it also leads to an array of other benefits. It helps us improve quality and efficiency across the company, and can lead to greater employee satisfaction.



For the elderly, having mail delivered is a lovely moment

52

Throughout 2020 we delivered many cards across the country, including to homes for the elderly such as the one Henriette Roland Holsthuis lives at in Amsterdam. The home's front-desk clerk Ria and her colleagues are very happy with their mail deliverer. "The moment the mail is delivered is always a nice moment for the elderly, especially during the pandemic. We see that our residents receive more cards now than before. They get them from their relatives, as well as from students from schools in the neighbourhood. Our mail deliverer Marjolein is really great. We are very happy with her. When we received flowers because, as healthcare workers, we are an essential profession, we also gave a bunch to Marjolein. She is fantastic, and she has kept working right through the pandemic."



One example is the roll out of robotic process automation (RPA) for administrative tasks, which we have been using in our Finance and HR Shared Service organisations since 2018.

In 2020 we used RPAs to process the equivalent of 2,000 man-hours per month across a variety of administrative tasks, such as supplier invoice processing, payment allocation, and even contract renewal processes. RPAs lead to greater productivity and quality, as well as being fast and cost efficient. They also help improve employee satisfaction, as they take over many of the most repetitive tasks. Going forward, our aim is to combine RPA solutions with machine learning, algorithms and voice solutions to help develop more intelligent automation.

Keep mail accessible, reliable and affordable

As the designated provider of the universal service obligation (USO) in the Netherlands, our job is to maintain country-wide mail coverage and deliver on specific quality targets, which do not apply to other postal companies. In 2020, we saw the anticipated benefits and synergies resulting from the integration of Sandd surpass our expectations and occur ahead of schedule. We have long argued that the consolidation of postal networks is vital to safeguard accessible, reliable and affordable postal services in the Netherlands, and the consolidation of Sandd will help cushion the decline of the postal market in a socially responsible way.

The Covid-19 pandemic accelerated volume decline in bulk mail volumes and provided a boost in greeting cards and mailbox gifts, as people reconnected with the value of physical mail. In a declining market, one of our key challenges is securing accessible and reliable postal services at affordable prices. We continue to implement cost savings initiatives, such as adjustments to the sorting and delivery process, streamlining of staff and centralising of locations. We are also innovating our services and solutions, while intensifying dialogue with customers so that we can meet their future needs, working to ensure that mail remains an attractive option alongside the digital solutions that our customers have at their disposal.

More cards and letters, less bulk mail

From the beginning of the Covid-19 pandemic, we saw a sharp rise in greeting cards and letterbox parcel volumes, as people reconnected and sent cards and gifts to friends and family via mail. In December, we delivered 50 million Christmas cards, 10 million more than expected. At the same time, bulk mail volumes declined significantly, with many direct mail campaigns postponed or cancelled. The additional volume decline was partially offset by a positive price mix effect.

Network integration

We successfully integrated Sandd into our mail network in 2020. The consolidation of both postal networks was vital to safeguard accessible, reliable and affordable postal services in the Netherlands. And to provide thousands of employees with greater job security, while ensuring that we retain our moderate pricing policy.

Key success factors included using a dedicated team from Sandd and PostNL to design the new mail organisation, investing heavily in the onboarding of new colleagues through intensive communication and open house events, and ensuring colleagues from Sandd were given a warm welcome at their new location. We also focused on our customers, matching new processes to their expectations and providing tailored solutions when required. Customer and employee surveys showed a high level of satisfaction with both the integration process and outcome.

Realise network synergies

We realised larger-than-expected synergies ahead of time through the Sandd integration. We have seen substantial synergies from combining the networks into one network, operational synergies from combining central functions and optimising the sorting processes, and greater cost efficiency. We have also seen more satisfied customers. Gross synergies amounted to €79 million for the whole year.

Adapt MailNL organisation to market developments

Next phase of the New mail route

The introduction of the New mail route in 2019 laid the foundation to successfully integrate the extra Sandd mail volumes into our network. Currently, more than 95% of the non-24-hour mail volume is delivered over two consecutive days, such as Tuesday and Wednesday or Wednesday and Thursday. The result is that customers can better manage their process flows, for example in the production of mailings or when handling calls following a direct mailing promotion. For PostNL, the new model means we can make better use of our locations and resources, while improving the efficiency of our transport, thereby cutting costs. This is vital in ensuring that Mail in the Netherlands remains stable in a market in which volumes are expected to continue to decline.

In 2020 we began preparation to expand mail routes by introducing e-bikes and e-cargo bikes, which means we require fewer depots. Operating fewer but larger depots increases efficiency, reducing transport kilometres from the sorting centre to the delivery depots. And using e-transport reduces our CO₂ emissions.

Simplification of our product portfolio

At Mail in the Netherlands, we are simplifying our product portfolio, tariff structures and the contracts we have with customers, which will enable us to better meet their needs. For example, customers will be able to arrange more of their postal needs themselves through digital channels. The simplification should also lead to a reduction in costs.

Changing our sorting processes

During the year we further optimised the sorting and preparation process. For example, some of the non-24-hour mail is now prepared the day before delivery, which has eased the pressure on the early morning preparation process. This change has made it possible to absorb the Sandd volumes without having to expand the number of locations or facilities. We also continued with the concentration of preparation activities at sorting locations, cutting infrastructure costs.

Social value

We operate in a sector undergoing profound change. From the growth in e-commerce to the transition in mail, everyone who works for or with us experiences change. We want our people to feel enthusiastic about the vital role they play at PostNL, and committed to making a difference. Together we realise their full potential and help our customers as a good partner, while acting as a responsible employer.



Social value

Key performance indicators

Engaged people
**Employee
engagement**



84%

2019: 76%



Performance summary

Employment developments

We have provided direct and indirect employment to more than 53,000 people on average during 2020, of whom around 71% are our own employees and approximately 29% are employed through contracted partners. We also provide employment to around 1,600 people with a distance to the labour market, primarily in our sorting and delivering processes. We aim to provide favourable working conditions for our entire workforce.

In 2020 we welcomed around 4,000 mail deliverers and 300 staff employees from Sandd and hired more than 1,000 new employees to fill the vacancies that remained following the integration. As part of the Sandd integration, we offered all of the company's production employees jobs with PostNL and gave around 1,800 other Sandd employees priority when applying for other positions within PostNL. This will help us provide a reliable, accessible and affordable postal service, with greater job security for thousands of employees.

We also welcomed additional employees at Parcels to bolster the growing business and hired office staff, for example to accelerate our digital transformation. We continue to develop our workforce in line with business developments and capability needs.

Putting the health and safety of our people first

Our primary focus in 2020 was on ensuring the health and safety of our employees, and the employees working indirectly for us through contracting partners, during the Covid-19 pandemic. We had to make challenging adjustments to our processes at our locations, while continuing to deliver our services. As explained in our 'Impact of Covid-19' chapter, our absenteeism rate increased only marginally for 2020. While we saw a clear increase during the first wave of the pandemic in March and April, we believe the measures the company and our people took together, and how seriously everyone focused on the national guidance, helped limit the full-year impact. Influenced by successful home working, the absenteeism rate of our office employees improved by 0.5% point compared to 2019.

Our safety performance was stable throughout the year and showed a slight improvement compared to 2019, with 4.0 recordable accidents per 100 full-time equivalents (FTEs).

PostNL Health and safety

2019, 2020

Year ended at 31 December	2019	2020
Absenteeism (share of total working days)	5.4%	5.9%
Recordable accidents (per 100 FTE)	4.2	4.0

“ Our primary focus was ensuring the health and safety of our people and those working for us. ”

Attracting and retaining motivated people

Employee engagement increased from 80% in October 2019 to 84% in October 2020, which is in line with the benchmark figure in the Netherlands but higher than levels seen across the logistics sector. Compared to the average results of 2019 and our target for 2020, the share of engaged employees grew by 8% points. Engagement is one of the four key objectives within the company, and we are delighted that our focus on our people is displaying results. The results in 2020 were partially positively influenced by Covid-19. Consequently, we have set our 2021 target at 81%, which is above our 2020 target.

PostNL Employee engagement

2019, 2020

Year ended at 31 December	Target		2020	Target 2021
	2019	2020		
Share of engaged employees (May survey)	74%	-	not executed	-
Share of engaged employees (October survey)	80%	-	84%	-
Share of engaged employees average	76%	76%	84%	81%

Making progress in diversity and inclusion

In 2020 we carried out an extensive diversity and inclusion assessment amongst employees, the first we have held in four years. The results show that our programmes have yielded results, and we have improved strongly on this important topic. Our overall diversity index increased by 15% points from 64% to 79%. The score is a combination of three aspects: acceptance, inclusion and diversity. As a large employer in the Netherlands, we are a reflection of society and we aim to continue to make steps in these areas going forward.

Strategy execution

In this chapter we explain the key elements of our strategic execution based on the relevant social focus areas. We have a clear strategy to help our employees develop and feel engaged with our company.

Workforce optimisation and capability building

Being able to manage and plan our staffing requirements is a key factor in our success. In 2020, the Covid-19 crisis altered the state of the recruitment market, and led to a shift in our staffing requirements. Throughout the year we continued to focus on employee onboarding, retention and continuous improvement based on employee feedback to ensure we can deliver what we promise our customers.

Hiring the right people

Covid-19 had a profound impact on the labour market in 2020, and the number of applicants for positions across the company rose significantly following the first lockdown in March. Throughout the year we filled more than 7,600 operational vacancies, including delivery and sorting positions. We also filled 452 corporate vacancies, of which 50% were internal hires.

Throughout the year we also recruited heavily to fill IT positions and agile roles, as we further expand our IT and data programmes. To accelerate our digital transformation we need to enhance the digital competence of our workforce. We have the ambition to hire 150–200 software engineers in about three years time. We started our campaign in mid-2020 and recruited 13 candidates for senior positions, including external and internal hires.

We also started an internal GO for IT campaign in 2020, to search for people who wanted to retrain for an IT position. After 126 applications and 39 interviews, 16 employees from across the company were selected for the retraining programme, including former mail deliverers, a preparer and a tele account manager. As part of their training, the 16 motivated recruits spent two months immersed in everything that had to do with IT. The training ended at the beginning of 2021, and the participants have now begun in new IT positions, such as data engineers and test analysts. The strong connection we have across society was reflected in our recruitment in 2020, and this has continued into 2021.

PostNL Workforce

2019, 2020

Year ended at 31 December	2019	2020
Headcount opening balance	37,785	35,721
New hires	9,513	15,440
Turnover	11,577	10,620
Headcount closing balance	35,721	40,541

In addition to the 4,300 employees we welcomed from Sandd, we hired over 1,600 new colleagues compared to 2019. Our employee turnover rate also improved slightly compared to 2019, both in terms of the total and the share of employees that voluntarily decided to leave us.

PostNL Employee turnover

2019, 2020

Year ended at 31 December	2019	2020
Turnover rate (share of total headcount)	31%	30%
Voluntary turnover rate	18%	17%

Sustainable employability

As the general population and workforce ages, it's vital that we find the right working balance for older employees. In the collective labour agreement signed in 2020, we included several options across the company. We are initiating a trial for 300 employees that are nearing retirement age to offer early retirement arrangements. We also extended the so called sustainable working scheme, which enables them to work fewer hours, but retain a larger percentage of their income. For example, work for 60 percent but receive 80 percent of their salary. And at Parcels, we have discussions with older employees about their long-term employability, so that we can take prompt measures to enable them to continue working healthily until the state pension age.

Managing employee turnover

The labour market changed following the initial lockdown in March, and many job seekers saw PostNL as a stable and attractive employer. Vacancies at both Parcels and Mail in the Netherlands were filled by people impacted by the shutdown, such as those from the hospitality sector. Following the government's lockdown announcements, we saw a sharp rise in the number of visitors to our recruitment website.

At Mail in the Netherlands, we successfully integrated the Sandd workforce and were able to more easily fill vacancies. At Parcels, the strong growth in e-commerce during the year led to the creation of new delivery routes, and the extension of existing routes, which resulted in an increase in the workforce of our delivery partners and PostNL. We saw the number of parcel deliverers grow by around 11% during the year. We improved our retention rate during 2020, which is down to a combination of a new onboarding process that involves more classroom-based training, time to get used to the work, and helping deliverers become more independent earlier in the job. For mail deliverers, the mentoring programme that begins from the day a new employee begins is proving a success. The mentor welcomes the new recruit to the job and answers any questions or concerns the new employee may have.

Across the organisation, we collect data about the onboarding process and use these insights to implement further process improvements.

Looking ahead, we don't yet know what the long-term impact of the crisis will be on our staffing patterns. For example, whether people will return to the hospitality and other sectors full-time once the crisis is over, or will continue to work for us on a part-time basis.

Consequently, we are preparing to launch specific recruitment campaigns again in 2021.

Strengthen employee engagement

Throughout 2020 we focused on listening to and helping our people, adapting to their changing needs and ensuring they understood how appreciated they are across society.

Employee engagement

Employee engagement increased from 80% in October 2019 to 84% in October 2020, which is in line with the benchmark figure in the Netherlands. Employee loyalty also increased, from 88% in 2019 to 92% in 2020. Engagement is one of the four key objectives within the company, and we are delighted that our focus on our people is displaying results. We are also proud of the contribution the company and our people are making to society during the Covid-19 pandemic. Every day our employees go above and beyond what we expect of them, and in 2020 customer appreciation reflected this.

This has also been the basis for renewing our collective labour agreements, which includes structural salary increases and higher performance related bonuses. On top of the CLAs, we rewarded our employees with extra net payments.

We will also give our delivery partners €150 per route (in addition to the €100 previously announced), and will ensure our sorting and distribution partners at Parcels in the Netherlands can also reward those who are not directly employed by PostNL, but who have contributed to our excellent results.

Employees are also proud of their work, their team and the quality of our services. While the planned engagement survey in May was cancelled because of the pandemic, the survey we ran in October included questions on how employees viewed our approach to Covid-19. The response was gratifying, with employees saying they were very satisfied with the clarity of the information we provided on the measures, the speed of communication and the fact we immediately adjusted to the government's guidelines. Employees were also very satisfied with the speed with which we were able to facilitate working from home. Going forward, our focus will continue to be on the safety and well-being of our people.



Helping everyone work from home

The Covid-10 pandemic means that more than 2,500 PostNL employees are now working primarily from home. Helping them make the switch from company office to home office was the responsibility of Kelly Emming and her colleagues at the IT Service Desk. "We had to arrange laptops, cables and monitors quickly, and set up Microsoft Teams more swiftly than planned. Fortunately, everything went well. At the beginning, people had many questions about microphones and cameras that did not work. And because our colleagues use different types of devices, we had to figure out how things work as the questions came in."

"The thing I miss most about not working at the office is the personal contact. We now call out 'good morning' in our group chat. And we use the chat to solve tough IT problems, which works well as there is always someone who reacts immediately. At the beginning of the crisis we were twice as busy, but now that everybody can work from home things have settled down."



Collective labour agreements

In December, we agreed a new PostNL collective labour agreement (CLA) and a CLA for Saturday deliverers with the BVPP, CNV and FNV trade unions. The final agreements include a structural salary increase of a total of 5.5% over two years, a performance-related bonus of 1% given the exceptional results of 2020, which is on top of the 2% performance-related bonus for 2020, and a non-recurring payment of 0.5% in December 2020. This is on top of the previously announced extra net payment of €250 in appreciation for working during the Covid-19 crisis. People in office-based roles will receive a home working allowance of €45 net per month.

In January 2020 we provided a one-off €100 payment on top of the agreements in the old CLA.

The PostNL CLA applies to approximately 18,000 PostNL employees, while the CLA for Saturday deliverers applies to over 300 employees. The PostNL CLA also includes agreements on sustainable employment, hiring of more parcel deliverers and an allowance for home workers. The CLA parties also agreed to combat competition on terms and conditions of employment in the parcels sector.

58

All PostNL employees work under a PostNL employment contract. Looking at parcel delivery, 80% of the total number of parcel deliverers working directly with or indirectly for PostNL are employed through a contract. To ensure a level playing field, and to prevent competition in terms of employment, the CLA parties will strive to make the 80% of deliverers working under a collective labour agreement the standard for the entire parcels' sector. As a result, the CLA parties also intend to make agreements for the reduction of heavy parcels (> 23 kg) in the sector and improve working conditions for delivery workers.

For postal deliverers, we agreed a new 24-month CLA in March. Under the terms of this CLA, which will run from October 2019 until September 2021, the company's 20,000 postal deliverers will see their salary increase in 6 tranches by a total of 6.5 percent. Additional agreements were made on a range of other topics, including work clothing.

Customer Focus awards

Each quarter we recognise colleagues from across the company who have carried out outstanding customer service by presenting them with a CustomerFocus award. As well as recognising the receiver's contribution to great customer service, the award also helps inspire others. Two of those recognised in 2020 helped our customers in very different ways.

In the first case, a parcel deliverer doing his rounds at a block of flats heard a woman shouting for help over the intercom.

After discovering that she had fallen and needed help, he called for an ambulance and waited with the woman until the paramedics arrived. In the second case, an employee at a parcel depot helped track down an incorrectly addressed parcel that was needed for a memorial service. The customer was extremely thankful for the employee's quick thinking.

Collaboration with delivery partners

As in prior years, in 2020 we evaluated collaboration between delivery partners and our parcel deliverers to identify improvement areas. In 2020, 48% (2019: 43%) of our delivery partners and 40% (2019 38%) of their deliverers took part in the survey. The results are positive and show that 92% (2019: 82%) of delivery partners are neutral to (highly) satisfied and 72% (2019: 66%) of parcel deliverers are (highly) satisfied with the collaboration with PostNL. The main areas for improvement relate to communication, route optimisation and process improvements.

During the year we continued to focus on improving the onboarding process of new parcel deliverers. Most of our depots have now introduced a dedicated onboarding process manager, who acts as a contact for onboarding activities and exchanges best practices.

As a result of Covid-19, new parcel deliverers were not able to go out on delivery runs with a trainer. Instead, they were given more classroom training and made delivery runs independently. This provided us with additional insights into what deliverers find important and enjoyable during the training period.

Building a diverse and inclusive workforce

Diversity and inclusion are integral elements of PostNL. We reflect society and we want to be a company our customers can identify themselves with. We focus on creating a work environment where everyone feels safe and is provided with development opportunities to maximise their potential.

In 2020 we carried out a Diversity and Inclusion survey, which highlighted how much progress we have made in this area in recent years. Our diversity index increased to 79%, from 64% in 2016, when the last major diversity survey was held. At the same time, 90% of people said they felt accepted within the company (2016: 89%), 80% said the company was inclusive (2016: 57%), and 68% believed PostNL is diverse (2016: 48%). The survey was also the first to be structured and carried out by a company in the Netherlands in compliance with the new privacy legislation (AVG). Based on the feedback in the survey about inclusiveness, in particular about career opportunities, the results indicate that in addition to the formal policy in the CLA's, our people do not experience a gender pay gap.

The progress we have made is due to our diversity policy, which is structured around six key themes: gender equality, multicultural diversity, acceptance of the LGBTIQ+ group, age differentiation, diversity in thinking power and helping people regain and maintain access to the labour market.

PostNL Diversity and inclusion

2016, 2020

Year ended at 31 December	2016	2020
Diversity index overall (relative score on a 1-100 scale)	64%	79%
Acceptance within PostNL (share of employees)	89%	90%
PostNL as inclusive company (share of employees)	57%	80%
Positive about diversity (share of employees)	48%	68%

Three networks are active within PostNL. The Women Inclusion Network (WIN) has a proven mentoring programme, which includes senior management acting as mentors for talented and ambitious women. This enables them to strengthen and widen their own network, while the activities organised by the network support retention and allow women to informally discuss their ambitions, thereby helping PostNL hire talented women into increasingly senior positions. At year end, 49% of PostNL's workforce were women, while the percentage of women in management positions increased to 23% (2019: 22%). In senior management positions, this was 28% (2019: 27%).

PostNL Gender diversity

2019, 2020

Year ended at 31 December	2019	2020
Share of female PostNL employees	48%	49%
Share of females in management positions	22%	23%
Share of females in senior management positions	27%	28%

The PRIDE network actively campaigns for greater acceptance of the LGBTIQ+ group, while the Young PostNL network focuses on young talent within the company, and develops its own events aimed at developing young talent within the company. 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.

Knowledge growth

In 2020 we fully rolled out the Knowingo+ app for new mail deliverers, including our colleagues who joined from Sandd. Knowingo+ provides training on mobile devices, using a knowledge quiz with questions about deliverers' work. Over 8,000 new mail deliverers were given access to Knowingo+, collectively learning for over 5,750 hours and obtaining over 18,000 certificates. Knowingo+ is also used across other parts of the organisation, such as customer service.

Developing tomorrow's digital leaders

We are undergoing a digital transformation across PostNL, which will enable us to better serve our customers and grow the business. But to be successful we need people who are digitally savvy.

In 2020 we launched the Digital Next Academy, a leadership programme which teaches senior managers 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.

The Digital Next Academy builds on the optimal leadership developed within the Orange Compass. Participants will be able to use their knowledge to help guide employees, supporting them as they make a valuable and lasting contribution to our strategy. The first 145 participants enrolled in 2020, with 500 more starting in February 2021.

Managing personal potential

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.

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.

Currently, we offer three leadership programmes, and run traineeships to develop new leadership talent. In 2020 we employed over 90 trainees, while 30 trainees moved into permanent positions within the company. We expect between 20 and 30 new trainees to join the programme in 2021.

“ We have made progress on diversity and inclusion in recent years. ”



60 **Becoming more diverse**

The aim of PostNL's diversity policy is to create a workplace where you can feel safe, regardless of your gender, ethnic background and sexual orientation, and where you can develop and get the most out of yourself. Robert Takken from HR works on developing the company's diversity policy. Robert: "We call our policy 'diversity and inclusion', and we still have work to do on both issues. Diversity is the starting point, inclusion is the destination. PostNL wants to be a strong, inclusive organisation. To accomplish that, we are focusing on six key themes, one of which is gender diversity. We want to be an organisation with a good balance between men and women. We also want to focus on diversity in thinking. It is very valuable to have different ways of thinking within a team, as it helps you find the best solutions. The acceptance of the LGBTIQ+ group – all forms of sexual orientation – is also an important theme, as we want every sexual orientation to be accepted within PostNL. We are also focusing on multicultural diversity and on a good age spread. And finally, we also want to help people with limited access to the labour market."

Diversity survey

"In September and October we conducted a diversity survey. On the basis of the average score for acceptance, inclusivity and diversity,

we calculate the diversity index. In 2016 we arrived at 64%. In 2020 the index rose to 79%. If you subdivide the scores, you see a strong improvement across all levels."

Internal culture

In 2021 a law will be introduced to regulate the representation of women at senior positions within companies. Robert: "At PostNL, we already have a good balance between men and women. But in the next few years we will further strengthen the number of women at different levels. There is also room for improvement in multicultural diversity. While we have more than 120 nationalities within our company, you don't see that reflected in our management. A number of years ago we began a scientific research project via the Vrije Universiteit in Amsterdam, called 'More Colour at the Top', which focuses on researching and developing effective interventions to stimulate the growth of bicultural talent in organisations. The research showed that across all the organisations that participated, multicultural talent leaves more quickly than other talent. Going forward, we need to focus more on influx and the advancement of employees with a multicultural background."



Stay healthy

Healthy employees are critical to a well-functioning company, and in 2020 our primary focus was on ensuring the health and safety of our employees during the Covid-19 pandemic.

Covid-19: response and impact

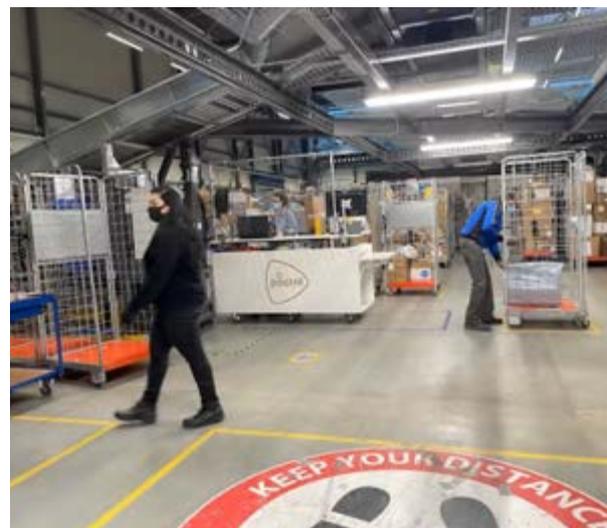
In a bid to protect people against Covid-19. At PostNL, we focused on providing a safe and healthy environment for our people across all our locations. We established a number of crisis teams within the HR department, focused on our people's safety and ensuring business continuity, and we introduced contingency plans for worst-case scenarios.

As the pandemic took hold, we introduced social distancing guidelines and health regulations to provide the most complete protection possible for our people, customers and consumers. In our sorting and delivery centres, and across our logistics' operations, we implemented measures to support social distancing and ensure a safe working environment, including the mandatory use of face masks, limiting the number of workers in a facility, creating flow patterns to limit the contact employees had with one another, fitting protective plexiglass walls, adjusting the layout of preparation centres, and placing floor stickers, signage and other forms of communication to help raise awareness. We also introduced contactless delivery to ensure deliverers maintained the required 1.5 metre distance from customers, and deliverers were also required to wear face masks. From mid-March onwards, office-based workers began working from home. While this was an intense process that involved its own challenges, we are proud of how everyone responded.

Board members provide a weekly video or blog to keep everyone informed of company developments and help maintain a sense of connection. And each quarter the management board have held employee communication meetings, with an average online attendance of 1,800 people.

While it was clear there were disadvantages to home working, the vast majority of people also embraced the benefits. Many said they welcomed the additional flexibility, reduced commuting time, and improved work-life balance. What they miss most is the social contact an office environment provides, including the informal chats. We made a helpline available for people experiencing mental difficulties in relation to the pandemic including working from home. The limited number of colleagues that reached out indicates to us that working from home is manageable for PostNL employees.

For 2020, absenteeism was 5.9% (2019:5.4%). We believe the home working introduced in March and our continuing focus on employee health and well-being helped maintain a steady absenteeism rate.



Covid-19 measures in Parcels' sorting centre

In our Parcels' sorting centre in Leeuwarden, staff began implementing Covid-19 measures early in the outbreak, which helped a lot, says process manager Babs Hertog. "We placed disinfectant near the revolving doors that driver use immediately after I noticed that people were hoarding it. Soon after, we also gave drivers disinfectant for use in their vehicles. We also cleaned the hand scanners more frequently, while the chairs and tables in the cafeteria were set further apart. Posters and signage were put up throughout the building, reminding people to social distance and wear a face mask. And we placed screens at the planning desk. Drivers fetch their car papers and keys and fuel pass here every day so that poses a risk for infection. The desk is now completely shielded, just like the places where employees sort parcels. The screens here can even be removed. This is where, in the evenings, pallets with wine are put on a pallet forklift and a screen would stand in the way. "

61





Settling in quickly

In 2020, Annemiek van Hoek – van Overdam moved from Sandd to PostNL as a mail deliverer. She was initially critical of the consolidation when she spoke with Resi Becker, director of Mail in the Netherlands. “I had heard from a number of Sandd colleagues that they were offered work on Saturdays, even though they didn't want it.” But eventually she had no problem with the switch. “I enjoyed my first week at PostNL. The colleague who helped me during the initial week quickly told me: ‘I don't have to teach you anything anymore.’ So, I started delivering the mail on my own. I settled in quickly, and the work is essentially the same, except that I don't have to sort the mail myself. My colleagues are very friendly and helpful. If I have to deliver mail in a new neighbourhood, they always tell me how the route is put together. Very nice.”

Our recordable accident ratio decreased to 4.0 in 2020 (2019: 4.2), as we focused on initiatives that raise awareness of health and safety across the organisation. While the decline is positive, we continue to focus on improving it even further.

Despite our ongoing focus on safety, it is with regret that we have to report one occupational fatal accident in 2020 (2019: three). The one fatality, which included civilians and people who work for or with us, occurred in a traffic accident. This event is tragic and we remain determined to prevent fatalities.

Realise change

We continued to work on our logistic processes while creating a harmonious work environment. We were again ranked highly for our social performance in the Dow Jones Sustainability Index (DJSI) in 2020. And by investing in sustainable employability and focusing on diversity, we believe we make the organisation stronger and create an environment in which people want to work.

Sandd integration

Through the acquisition of Sandd, we created a single, strong nation-wide postal network in the Netherlands. We welcomed over 4,000 new employees from Sandd, including more than 300 employees working in sorting, as drivers and in other roles, who joined at Mail in the Netherlands and Parcels. We also continued to collaborate with sheltered workplace companies. However, to absorb the additional mail volumes from Sandd into our network, in 2020 we implemented a range of additional sorting and preparation processes. This involved hiring around 1,000 people over the course of a two-month period, which we achieved successfully through close collaboration internally and with external parties.

Changes to Operational Service Centres

In 2020 we further embedded digitalisation within our five Operational Service Centres (OSCs) at Mail in the Netherlands. The OSCs are where we carry out mail delivery planning, ensuring mail is delivered to customers on time, and act as a point of contact for deliverers if they have problems or questions.

Working with delivery, sorting and preparation, we looked into how we can make processes smarter and simpler. For each process we investigated what can be digitised. In 2020, we split the tasks of employees into two process blocks: planning and service. We then digitised certain tasks, for example there is now a live chat and we have automated part of the planning. The result is we are better able to respond quickly and adequately to incoming service requests. Additionally, employees are now able to work from home, bringing us one step closer to being able to offer activities anytime, anywhere.

This gives our people also better tools to perform their tasks, which contributes to employee engagement. In 2021 we will continue to digitise and improve other processes, with the aim of providing a high level of service for our entire operations from a standardised service centre.

From contracting to temporary workers

In 2020 we completed the change programme whereby we have stopped employing workers on a contracting basis within our parcel sorting and delivery centres. This means that temporary workers are all now connected to a part of our company's collective labour agreement.

Focus on internal mobility

We worked on developing the internal mobility of our people, particularly those working at Mail in the Netherlands who are impacted by volume decline. Within our staff and managerial functions in 2020, 50% of our vacancies were filled by internal candidates, amounting to around 500 vacancies. Our aim is to have approximately 66% of these positions filled internally.

Our commitment to respect Human Rights

At PostNL, respect for Human Rights is an important pre-condition 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.

Although Human Rights as such has not been identified as a key risk, we act on Human Rights for our own people and the people working for us. In addition, we assess Human Rights' risks of suppliers following a risk-based approach. In 2020 we carried out a risk workshop on Human Rights to create more awareness about the topic within the company and evaluate our mitigation activities.

We also held a round table with suppliers to discuss our approach and share knowledge. Based on the outcomes of these activities, we are now more actively engaging and collaborating with some suppliers to address this topic. Looking ahead, we are considering engaging with customers to explore, for example, a sector-based approach.

PostNL Human Rights in our 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

Environmental value

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 customers, and our partners to make the value chain more sustainable. Ultimately, 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

Sustainable logistics

**Improvement
of CO₂ in g/km
(base year
2017)**



(10%)

2019: (8%)

Emission-
free delivery

**Emission-free
last-mile
delivery**



20%

2019: 19%



Performance summary

Strong foundation on environmental management

While the Covid-19 pandemic has had a profound impact on society and on PostNL, in 2020 we continued to focus on working towards our environmental goals.

In September, we published our first Green Bond Report, which provides investors and other interested parties with an update on the green projects we've 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. The report is published on our website.

In 2020 we were again ranked in the top-three 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. On the environmental dimension we were ranked as best in our sector worldwide. We also achieved an 'A' score in the CDP benchmark, a global environmental disclosure system. This is the best score a company can get, demonstrating the strong improvements we are making in environmental management.

The challenge of growing green

The sharp rise in parcel volumes particularly influenced the number of kilometres we travelled with large trucks, which are our most carbon-intensive vehicles. We also chose to increase the share of our own transport kilometres compared to subcontracted kilometres. Transporting more ourselves enables us to better manage our fuel consumption through initiatives such as economical driving, which is more difficult to achieve through outsourced transport. Together, these factors led to a 28% increase in kilometres driven.

At the same time, the Covid-19 measures impacted the availability of electric vehicles that conform to our specifications, and the pace at which we could implement other emission-reduction initiatives. These slowed the progress of our emission-reduction programme. These factors negatively impacted our company-wide CO₂ efficiency, which was partly offset by the growth in the number of emission-free kilometres and the introduction of renewable diesel at material scale in our transport.

Our CO₂ efficiency over 2020 amounted to 249 grammes per kilometre, 1.6% higher than 2019 and 10% higher than our base year 2017. Going forward, we will focus on improving our CO₂ efficiency through the continued use of renewable diesel and the roll out of additional e-vehicles.

Our science-based targets (SBTs) are the cornerstone of our sustainability agenda towards 2030, with 2017 as the base year, and they are set as:

- absolute CO₂ improvement from our own operations (scope 1 and 2) of 60%;
- absolute CO₂ improvement from our overall operations (including scope 3) of 18%; and
- relative improvement from our own (scope 1 and 2) operations of 80% per kilometre driven.

PostNL CO₂ efficiency

2019 - 2021, 2030

Year ended at	Target		Target		
31 December	2019	2020	2021	2030	
CO ₂ efficiency improvement (base year 2017)	(8%)	3%	(10%)	10%	80%
CO ₂ efficiency (in g/km)	245	219	249	205	45

Our absolute gross scope 1 carbon emissions were similar to 2019 at 40 kilotonnes. The volume growth at Parcels and our logistic networks resulted in an increase in the number of kilometres we drove and related emissions by 6 kilotonnes. This was offset by a decrease in CO₂ from our buildings as we started to renewably source our natural gas. In our environmental planning we expected an increase due to growth in transport, and developed a concrete action plan for the coming years to reduce our absolute carbon footprint, while still factoring in business growth. Since installing solar panels on the roofs of our sorting centres, we now generate a substantial amount of renewable electricity. The electricity we do source is also sustainably generated, resulting in our scope 2 emissions being reported as zero.

PostNL Carbon footprint in kilotonnes CO₂

2017, 2019, 2020, 2030

Year ended at 31 December	2017 ¹	2019	2020	Target 2030
Scope 1 GHG emissions (including compensation for building CO ₂)	30	35	40	12
Scope 2 GHG emissions	0	0	0	0
Subtotal scope 1 and 2 GHG emissions	30	35	40	12
Scope 3 GHG emissions	211	187	199	186
Total GHG emissions	241	222	239	198

¹ Base year

For subcontracted transport, our scope 3 emissions relate to networks within Parcels, logistics and international. Strong growth across these networks has impacted scope 3 emissions. In total, our scope 3 emissions increased by 6% compared to 2019. Compared to our base year 2017, these emissions were 6% lower.

While we started engaging with partners on emission-reduction initiatives, we expect to further develop reduction plans with our partners in the coming years. Our combined scope 1, 2 and 3 emissions in relation to SBT amount to 237 kilotonnes in 2020, 8% higher than 2019 and 1% lower than our base year.

Our focus for 2021

Although our carbon footprint and relative CO₂ emissions increased in 2020, we started to see the results of our strategy execution throughout the year. The introduction of renewable diesel and bio-LNG is becoming visible in the underlying performance of individual networks. We have budgeted for a significant scale up of the use of renewable fuels where possible. This will be our main focus for 2021 in order to improve our performance compared to 2020, which is why we have set a 2021 target for our CO₂ efficiency of 205 grammes per kilometre.

One example is our large truck transport, which operate for both mail and parcel volumes. We will scale up the use of renewable fuels to more than 30% of our total fuel demand (2020: around 10%). We also continue to engage with automotive partners to develop electric delivery vans and other vehicles suitable for our business model in order to increase the pace of the transition towards emission-free transport. In line with our long-term planning, we expect to scale up the share of electric vehicles in our fleet in the coming 3 to 5 years.

At the same time, we will begin testing light electric freight vehicles (LEFV) for our core parcels delivery and evaluate the economic feasibility of potential adaptations to parts of our parcel delivery model. We already have extensive experience with electric cargo bikes at our time-bound network for business customers, and the delivery and collection of mail and parcels. In addition, we continue to pursue other opportunities we see to improve, in line with the focus areas of our environmental strategy. Using the monthly management dashboards, we will closely monitor performance against our targets based on the main drivers that influence our emissions.

Progress towards an emission-free last-mile

As a large logistics and postal service provider, delivering to every address in the Netherlands and Belgium, 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 targets to significantly reduce our GHG emissions and deliver all parcels and mail emission-free across the Benelux by 2030.

Despite volume growth at Parcels in the Benelux, we managed to slightly improve the share of emission-free kilometres in the last-mile, where we have been able to absorb most of the additional parcel volumes in our current delivery routes. The number of kilometres travelled in our time-bound network grew because of the volume growth. We also had limited opportunities to add electric vehicles to our fleet in Parcels and logistics, due to the scarcity of vehicles that fit our requirements, and the impact of the Covid-19 pandemic. At Mail in the Netherlands, emission-free delivery kilometres grew as result of the integration of Sannd volumes and the increase in greeting cards and mailbox gifts. Combined, we increased the share of emission-free delivery by 1%.

PostNL Emission-free delivery

2019, 2020, 2030

Year ended at 31 December	2019	2020	Target 2030
Share of emission-free delivery of parcels and mail in the last-mile (Benelux)	19%	20%	100%

Strategy execution

We steer on our strategy through our relevant focus areas, as explained in the 'Our strategy' chapter. In this chapter we explain how our focus areas help us achieve our strategic objective, which is to improve our environmental impact. For each focus area we provide examples that illustrate the events, initiatives and related outputs that contributed to our performance.

Network efficiency

To accelerate our transition to low-carbon logistics we need to develop new ways to cut emissions and increase efficiency. In 2020, one of the areas we focused on was cutting the number of kilometres we drive. We also published our first Green Bond, which highlights how we will spend the Bond's proceeds to increase efficiency and promote sustainability.

First delivery attempt update

Although over 90% of parcels are delivered on the first delivery attempt, we want to get it as close to 100% as possible. This will lead to more satisfied consumers and lower the number of kilometres we have to drive, cutting our CO₂ emissions. One initiative we started in 2020 is providing consumers with an update on the PostNL app 15 minutes before the deliverer arrives. This is currently available through our food delivery network, and for Sunday and evening deliveries. The aim is to roll the service out fully during the course of 2021.

Removing air from parcels

We know that parcels sent by our customers often contain too much air, and transporting air is inefficient and unsustainable. In 2020, we introduced a campaign aimed at making e-tailers aware of how much air is contained in packaging, the impact of incorrect packaging, and ways to prevent it. This included a link to a PostNL website, where e-tailers could request information on how we can help them develop smarter packaging solutions.

During 2020, the average parcel in our delivery network was 2.5% smaller than in 2019, although the average parcel weight was comparable with 2019. This indicates that we transported less air in 2020. Assuming that 50% of an average parcel is air, we believe that this size reduction led to a 5% reduction in the air we transported within parcels. Based on the impact measurement pilot we have carried out, this reduction represents avoiding at least 1,500 tonnes CO₂.

With research from Thuiswinkel.org, a Dutch digital commerce network, showing that on average a parcel is 50% air, it's vital that we continue to help e-tailers develop better packaging solutions. Not only does the right packaging offer better protection, it means we can fit more packages per roll container, it reduces CO₂ emissions per package, it leads to less packaging material and waste, which benefits consumers.

In 2021, our fulfilment centre in Houten will work with teams from across the company to implement algorithms designed to optimise packaging, further reducing air and providing customers with better packaging options.



Impact of city hubs

Our City Logistics initiative helps make B2B logistics in the Netherlands more sustainable. Kam Jzi Wong is a program manager City Logistics. "We currently target mostly customers who verifiably want to make their logistics more sustainable. And who just like us want to find a balance between economic feasibility and sustainability. In 2020 we carried out an impact measurement to map the contribution of city hubs to the sustainable development of city logistics. We calculated the economic, social and environmental impact. The results show that consolidation through city hubs brings significant environmental advantages, with around a 70% reduction in CO₂ emissions and a more than 90% reduction in fine dust and nitrogen. By pooling trips, we can increase the utilisation rate by 25%, which results in another 6% CO₂ reduction. There are fewer traffic movements, which reduces congestion and increases safety, because there will be fewer accidents. We still need to research the economic effect, but the measurement has already given us useful insights and tools to further develop the case for city logistics for our customers."



City Logistics

How do we reduce pressure on our inner cities, while cutting the emissions that impact air quality? Our answer is City Logistics, which focuses two approaches: emission-free delivery in city centres with our existing networks and developing a business model for consolidation via city hubs.

We have been working on planning and implementation of the transformation of logistical movements to and from city centres throughout 2020. We continued testing different electric vehicles on the operational and economic possibilities for scaling up in the near future. This will help us to deliver emission-free in 25 Dutch city centres by 2025, which we view as an important step on our journey to achieving our 2030 science-based targets (SBTs).

In Amersfoort, we now deliver all packages in the city centre with e-vehicles, and in 2021 we will research the scalability of package deliveries in several cities using light electric freight vehicles (LEFVs), which we tested throughout 2020. 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 in the most efficient manner during the delivery run. LEFVs can also be ridden on cycle paths or roads, are highly manoeuvrable, and reduce congestion compared to vans.

City hubs

We made progress and currently deliver business goods emission-free at six city centres.

In 2020, we expanded our city logistics operations in The Hague and now provide bundled deliveries to some 70 locations in the city. The main advantage for customers is only having one deliverer at the door, rather than several throughout the day. And for the local environment, emission-free delivery means cleaner air. Using The Hague as an example, we are in talks with several large customers about rolling the model out in other cities across the country.

Clean kilometres

While the majority of our last-mile mail delivery is done mainly on foot or by bike, inter-sorting-centre transport is carried out by large trucks, while for last-mile parcel delivery we use medium-sized delivery vans. And given that, on an average day, we transport mail, parcels and goods over 1.1 million kilometres across the Benelux, we are focusing on increasing the share of renewable fuels we use and expanding the electrification of our owned and leased fleet across our networks.

Expanding the use of renewable fuels

We have been using biogas extensively within our small trucks and vans for a number of years. In 2020, we also began testing a renewable diesel, called HVO100, on some of our delivery vans and 50 large trucks across the Netherlands. As a diesel made from renewable raw materials, HVO100 produces 90 percent less CO₂ emissions during its life cycle compared to fossil diesel. We were one of the first large companies in the Netherlands to run on this fuel and switched to renewables for 8% of our total consumption in 2020. We plan to scale up the use of renewable diesel significantly in the years to come.

Since February 2020, we have also used a 20% blend of bio-LNG for our large trucks, helping to reduce the climate-change impact of our fuel consumption materially. In 2020, the share of the bio-LNG blend used in our large trucks amounted to 44%. The fuels we use are certified sustainable, meet high quality standards and are made of vegetable waste streams. We increased the number of trucks that use renewable fuels during 2020 and we will continue to expand this further in 2021.

We view renewable fuels as transitional. They will remain important in the coming five years, while we work towards scaling up the switch to electric or other zero-emission options. However, vehicle manufacturers are not producing commercial e-vehicles in either the numbers or range of sizes that industry requires, which is holding back our switch to a zero-emission fleet.

Using a variety of zero-emission vehicles

In 2020 we continued to grow our fleet of electric vehicles, rolling out the first 425 three-wheel electric scooters for our mail delivery network, which will support changes in our delivery model and extend the routes to make them more efficient. The e-scooters we currently operate save more than 140,000 litres of fuel per year, cutting our annual CO₂ emissions by more than 300 tons. In total, we aim to introduce 600 of these scooters by 2021.

By year-end, we were operating more than 1,300 electric vehicles in our fleet across our operations, 538 e-bikes, 85 e-cargo bikes, 647 electric scooters and 72 electric delivery vans. Our investment programme is aimed at meeting the Science Based Targets we have set for 2030. We began a pilot with an e-bike solution from Fulpra, a Dutch start-up, that is capable of transporting up to two roll containers at once. As well as being emission free, the bike is ideally suited to urban environments as it can transport up to 3000 litres along cycle paths and can be parked on the pavement.

We also installed charging infrastructure at our Amersfoort depot, and made further plans together with several subcontractors on the use of electric vehicles in 2021. We want to make the fleets of our subcontractors as sustainable as our own. And in Amsterdam, the food network began using their first two electric vehicles.

Sustainable buildings and facilities

We currently run five mail sorting centres, one international sorting centre and 25 parcel sorting centres, and aim to increase the number of parcel sorting centres to deal with the expected growth in parcel volumes. To reduce our environmental impact, since 2011 we have focused on developing energy-efficient new buildings. In 2020, this involved continuing to invest in installing on-site renewable energy, such as rooftop solar panels, where technically and economically feasible. We also continued to make energy efficiency improvements, such as switching to LED lighting in existing buildings.

Obtaining sustainable building certifications for new sorting centres

In 2020, seven of our parcel sorting and distribution centres were awarded BREEAM-NL certificates, with one achieving 'Excellent' and six 'Outstanding'. A BREEAM-NL excellent building is at least 60% more energy efficient than the minimum required level of the applicable building code, while Outstanding means at least 80% better efficiency per m². We achieved this by investing in the most sustainable building materials available, installing waste heat recovery systems, and placing solar panels on the roof of each sorting centre.

BREEAM certification of existing centres

During the year we continued to assess and upgrade the sustainability levels of 17 existing sorting centres in order to obtain BREEAM NL In-Use Very Good certification, with the first building to be certified in the beginning of 2021. We aim to finalise the certification for all 17 buildings before the end of 2021.

Switch to LED lighting

On average, LED lighting cuts energy consumption by 50% compared to halogen lights. During the year we continued to switch to LED lighting across our operations. Currently, 24 of our parcel sorting centres have LED lighting in the hall, while the 7 newest centres have LED lighting installed throughout. At the IMEC and our 5 other mail sorting centres we have installed LED lighting across most of the industrial halls, and this will be completed in 2021. We aim to introduce LED lighting across all other areas of our sorting centres in the coming years.

Solar panels

By year-end, we had 25,208 solar panels on the 24 parcel sorting centres we own, which created more than 7.1 million kWh of electricity. This equated to around 49% of the centres' total annual energy consumption, a 10% rise on 2019. We also aim to install our first solar panels at Mail in the Netherlands' sorting centres in 2021, and have opened talks with the landlords of large industrial locations we rent about placing solar panels.



Wio delivers sustainably

Wio Oosten's truck runs on HVO100, a sustainable fuel made from vegetable oils, waste and other fats. Wio and his colleagues in Zwolle tested the fuel and gave feedback on how they found it. "The truck drives very well on it," he says. "And there are sufficient places around the country where I can fill the truck up."

If we want to be the favourite deliverer, it is vital that we continue to be more sustainable. "HVO100 reduces CO₂ emissions by 90% compared to normal diesel, which is a substantial difference," Wio says. "We only have one earth, and reducing our CO₂ emissions is one way to help protect it. The transition we are making with HVO100 is important; we are a large company with many vehicles. If we use clean fuels, that means clean kilometres, which helps us contribute to a better world."

Charging infrastructure for e-vehicles

Moving towards emission-free deliveries involves more than just introducing electric vehicles. We also need to update and adapt our infrastructure. At our parcel sorting centre in Amersfoort, 10 charging points went live during the course of 2020. We also introduced new charging stations at the parcel sorting centres of Amsterdam Zuid Oost and Almere. Going forward, we will continue to work on bringing additional docks live.

Green products and services

Poor sustainability performance can translate into reduced growth and unhappy stakeholders, and we know that transitioning to a decarbonised business is vital if we are to have a license to operate in the future. While part of this transition can be driven by PostNL, we are also dependent on external developments. For example, 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.

Collecting e-waste

E-waste is a fast-growing waste stream, with people increasingly replacing everything from smartphones to smart TVs as they become outdated. But in a bid to move closer to a circular economy, we're working with a number of e-tailers to collect and recycle e-waste. Consumers ordering through these e-tailers have the option to return their old electronic products by boxing and labelling them, before taking them to a PostNL point or handing them over to the deliverer. We then pass the goods to a recycling firm, which takes care of the rest. The service was used over 8,000 times in 2020, and we expect it to grow rapidly in the coming years.

Green Post

Our Green Post offering, which lets customers offset their carbon footprint through sustainable investment, continued to grow in popularity in 2020. One new customer we were happy to welcome is the Dutch state. Green Post customers can use a calculator to work out the CO₂ emissions of their mail and parcel shipments, and can then choose if they want to offset those emissions. Benefits include investing in sustainable projects and, for business customers, being able to include the CO₂ compensation in their sustainability report or annual report.

We double the first €50,000 that customers offset and donate our contribution to Natuurmonumenten or other sustainable projects with the Gold Standard quality mark.

In 2020, our customers compensated 25,580 tons of CO₂ emissions, while we donated a total of €25,000 to sustainable projects. Our aim is to create 20 hectares, or 30 football fields, of new forest within 4 years.

Developing the fashion pack

In 2020 we continued to develop the fashion pack, a reusable packaging solution tailor-made for the fashion sector. We developed an alternative to the aluminium layer that was used to provide strength, meaning the fashion pack is now 100% recyclable and can bear the logo from the Netherlands Institute for Sustainable Packaging.

And the fashion pack has sustainability credentials in a number of other areas. Because it can be vacuum-sealed, air is removed and it fits into a letterbox format. This means it takes up less space during transport, can be delivered emission-free over the last mile, for example on foot or by bike, and the packaging can be recycled rather than incinerated.



Sustainable financing

In 2019, PostNL issued its first Green Bond, which in terms of financial returns was considered equal to a traditional Eurobond. Arjen Bos, Group Treasurer, explains why PostNL chose for a green option. "In 2019, PostNL identified a potential need for cash in the foreseeable future. The company's outstanding cash balance, in combination with the expected free cash flow, was deemed to be insufficient for the close out of the transitional pension obligation, the acquisition of Sandd and the expected capex requirements. The combination of the targeted amount of €300 million and a thorough credit rating by S&P lead to a Eurobond being the best financing option.

The process evolved from a Social/Sustainable Eurobond to a Green Eurobond to fund the expected capex towards 2026, and the Green Bond was issued under the PostNL Green Bond Framework dated July 2019. The framework aligns with the four core components of the International Capital Market Association (ICMA) Green Bond Principles 2018. Sustainalytics provided a second-party opinion on our framework, which confirms that the set-up meets the generally accepted criteria for green bonds and also attracts new ESG-linked investors. The framework sets out details about the rationale, monitoring and reporting of the proceeds of bonds issued under this framework and is available on our website.

Being a logistics company, a substantial part of our future capex relates to sustainable buildings and the electrification of our fleet,

which we expect to allocate as Green Bond proceeds. Sustainable buildings relates to (newly-built) sorting centres and our head office. For 17 existing parcel sorting centres, we have invested in additional energy efficiency and CO₂-reduction measures to bring the sustainability levels to the required BREEAM-NL standards. By the end of 2020, 8 sorting centres had already received a BREEAM-NL certificate.

The electrification of our fleet mainly relates to (cargo) bikes, scooters, cars and vans. In our transition plan, our expectation is that we will need the first two years to develop and test fleet electrification on a small scale. Depending on the technical availability and market developments, we then expect to scale up the electrification of our fleet in different networks in the three- to five-year time period. Next to that, together with our clients, we invest making our services more efficient. The expected proceeds to be allocated to the Green Bond were already included in our long-term environmental strategy. While using the Green Bond to finance our sustainable future capex is considered equal to a traditional Eurobond in a financial returns perspective, it additionally serves as a motivator to make the sustainability-linked capex plans work. It also fits perfectly within the strategic objectives and science-based targets of PostNL. The Green Bond is another step towards a more sustainable logistical network."



Financial value

PostNL provides short- and long-term financial value for shareholders, enabling them to obtain shareholder 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 2020 and concludes with an outlook for 2021.



Financial value

Key performance indicators

Fin. performance and position Revenue

in € million



3,255⁺⁴¹¹

2019: 2,844

Fin. performance and position Normalised EBIT

in € million

(margin in %)



245^{7.5%}

2019: 135 / 4.7%

Fin. performance and position Free cash flow

in € million



186⁺⁷⁹

2019: 107

Fin. performance and position Adjusted net debt

in € million



407⁻³²⁹

2019: 736

Fin. performance and position Dividend per share

in €



0.28^{+0.20}

2019: 0.08



Performance 2020

PostNL had a very strong and successful financial year in 2020. We benefited from strong parcel volume growth, fuelled by the Covid-19 crisis, which accelerated e-commerce growth, and we collected, sorted and delivered record volumes in our peak season. We delivered greater-than-expected benefits and synergies from the Sandd integration, ahead of time, which had a clear positive material increase in revenue and normalised EBIT. We benefited from higher than expected greeting cards and other single items at a higher margin and gifts being sent using letterbox parcels. And we saw business performance at Logistics, Belgium and Spring improve significantly.

We successfully maintained our strict working capital management and agreed on modified payment conditions related to the settlement of the remaining conditional pension benefits, which positively impacted 2020's free cash flow by around €100 million. We successfully executed a €150 million sale-and-leaseback transaction related to 5 sorting centres, and took further steps in de-risking our portfolio and divested Nexive, PCS, Spotta, Adeptiv and Cendris. These developments, together with our strong business performance, resulted in a material improvement of our free cash flow and adjusted net debt position.

PostNL Financial highlights in € million, unless indicated otherwise

Year ended at 31 December	2019	2020
Revenue	2,844	3,255
Normalised EBIT	135	245
Free cash flow	107	186
Adjusted net debt	736	407
Leverage ratio	2.6	1.0
Dividend (in € cents)	0.08	0.28

The combination of the improved profitability and stronger financial position brought our leverage ratio, being adjusted net debt/EBITDA, to 1.0 in 2020, significantly below our target not to exceed 2.0. In line with our capital allocation priorities this favourable position allows us to invest in the growth of our business activities, including capacity growth, investments related to achieve further cost savings, maintenance capex, investments in working capital and investments in the acceleration of our digital transformation.

Our improved and strong financial position also allows us to re-instate dividend for 2020, just 12 months after the temporary halt due to the Sandd acquisition.

Revenue and normalised EBIT

As of 2020, management analyses and reports on PostNL's profitability performance applying the key performance indicators (KPIs) revenue, normalised EBIT and free cash flow.

Normalised EBIT gives a reflection of the Group's operating income performance, in which one-off and significant non-business related items are excluded and explained.

PostNL Business performance in € million

Year ended at 31 December	Revenue		Normalised EBIT ¹	
	2019	2020	2019	2020
Parcels	1,672	2,052	120	209
Mail in the Netherlands	1,606	1,708	52	96
PostNL Other	81	108	(37)	(60)
Intercompany	(515)	(614)		
PostNL	2,844	3,255	135	245

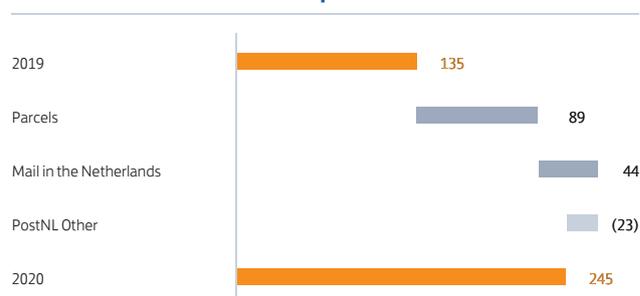
¹ Note: Normalised figures exclude one-offs in 2020 €(49) million and in 2019 €16 million.

Group

In 2020, revenue increased by 14.5% or €411 million to €3,255 million (2019: €2,844 million), driven by the acceleration of e-commerce growth within Parcels and the acquisition of Sandd within Mail in the Netherlands. At the same time, Mail in the Netherlands benefited from the higher than expected number of greeting cards and other single items, which have been sent during the lockdown. 57% of our revenue in 2020 was generated from e-commerce related activities (2019: 52%).

In 2020, normalised EBIT was €245 million (2019: €135 million) with a margin of 7.5% (2019: 4.7%), of which around €55 million is estimated to be non-recurring and related to Covid-19 and includes around €15 million of additional compensation to reward our people for all their efforts. Normalised EBIT excludes exceptional items, which amounted to €49 million in 2020, of which €60 million related to the sale-and-leaseback transaction, €(14) million to the Sandd acquisition and €2 million to project costs and other. Compared to 2019, normalised EBIT in 2020 includes €(25) million higher non-cash pension expenses (PostNL Other).

PostNL Normalised EBIT development in € 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.

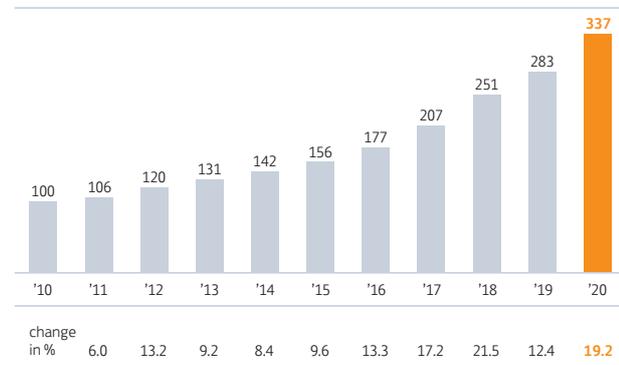
Parcels

Since the start of the Covid-19 crisis, e-commerce growth has picked up significantly and the transition from offline to online has accelerated. The number of first-time online buyers increased and the share of existing medium and heavy online shoppers grew. Part of the growth related to specific, non-recurring, consumer spending as a result of the Covid-19 situation. To help small- and mid-sized shops move online, we provided a range of services through the MyParcels platform.

While in previous years we significantly scaled up our processing capacity at a few peak moments, in 2020 we had to cater for a more structural scale up. During the first wave of the pandemic we processed considerably more parcels than on average, while at peak moments towards the end of the year volumes were significantly higher than those at the beginning of the year. The end-of-year peak in 2020 also began earlier and lasted longer than we typically see.

In total, we delivered a record 337 million parcels in 2020, of which we estimate around 25 million to be non-recurring and related to Covid-19. This resulted in strong volume growth of 19.2% in 2020 (2019: 12.4%). Growth was visible across almost all segments and products, especially among small and mid-sized webshops.

PostNL Volume development Parcels in million

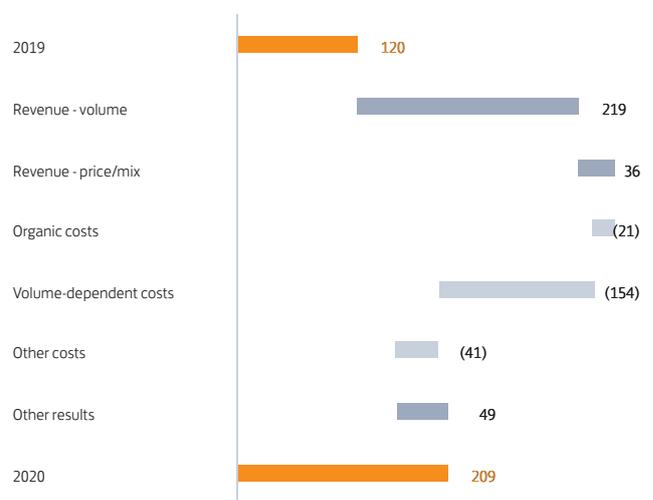


Revenue at Parcels grew strongly to €2,052 million (2019: €1,672 million), mainly driven by the strong volume growth, fuelled by the Covid-19 crisis, and a positive price/mix effect, thanks to yield management measures (including improved pricing), along with favourable mix effects. Logistics, Belgium and Spring also saw rising revenue, with very strong growth in e-commerce related revenue at Spring, both in Asia and Europe.

Normalised EBIT was up very substantially to €209 million (2019: €120 million), of which around €40 million is estimated to be non-recurring and related to Covid-19. The increase reflects the impact of €219 million from volume growth and a positive price/mix

effect of €36 million, partly offset by volume-dependent costs rising by only €154 million thanks to the almost optimum utilisation of our infrastructure resulting from the equal flow of volumes during the week. Organic costs, including higher costs as a result of new labour legislation, increased by €21 million. Operational efficiency improved but was more than offset by higher other costs, partly related to higher IT costs and extra cross-dock capacity, resulting in additional costs of €41 million. Other results were up €49 million, with a significantly improving business performance at Logistics, Belgium and Spring. The performance is driven by top-line growth benefitting from e-commerce.

PostNL Normalised EBIT Parcels in € million



Mail in the Netherlands

In 2020, performance at Mail in the Netherlands was marked by a stronger than expected decline in direct marketing and international volumes, mainly due to substitution but accelerated as a result of Covid-19, the impact of moderate price increases, more greeting and Christmas cards than expected, and the combination of mail networks. The latter contributed €49 million to normalised EBIT in 2020, of which €79 million synergies and €(30) million integration costs, and is ahead of plan in delivering the anticipated benefits and synergies.

The volume decline (compared with the pro-forma full year 2019 volumes of Sandd) of 9.6% was mainly driven by continuing substitution. Within the year, bulk mail volumes declined as direct mail campaigns were postponed, to recover only partly in the fourth quarter. At the same time, the Covid-19 crisis made people sent more greetings cards and gifts using letterbox parcels in both the first and second wave of the pandemic.

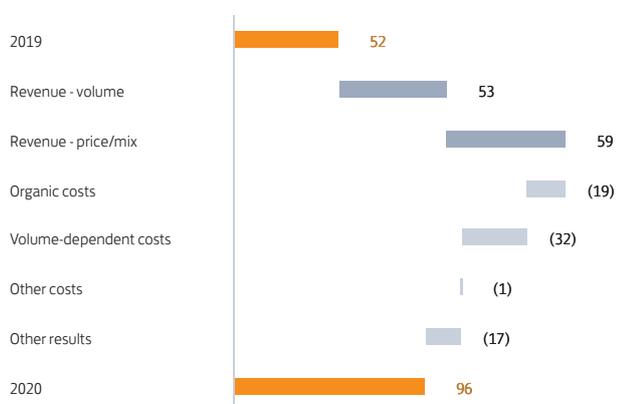
PostNL Volume development Mail in the Netherlands in million



Revenue at Mail in the Netherlands was up 6.4% to €1,708 million (2019: €1,606 million) driven by the consolidation of Sandd (€116 million) and a volume decline impact of €(63) million, partly offset by price/mix effects of €59 million, the latter being supported by the temporary shift in product mix due to Covid-19 that is not expected to recur. Other revenue was down by €10 million.

Normalised EBIT significantly increased to €96 million (2019: €52 million), of which around €15 million is estimated to be non-recurring and related to Covid-19. The increase reflects the total volume and price/mix impact - a combined €112 million - partly offset by volume-related costs that were up €32 million. The increase in organic costs was €19 million. Other costs were up €1 million, and included integration costs of the mail networks and costs related to Covid-19, partly offset by cost savings and efficiency improvements. Other results were down €17 million, influenced by the disposal of non-core activities and the discontinued distribution of unaddressed mail.

PostNL Normalised EBIT Mail in the Netherlands in € million



PostNL continues to implement cost savings initiatives, such as adjustments to the sorting and delivery process, streamlining of staff and centralising of locations. The relatively high share of

higher-margin single mail and parcel items in 2020/2021, in part driven by incidental Covid-19 impact, could have an impact on the level and phasing of regulated stamp price increases in the near future.

PostNL Other

Revenue at PostNL Other amounted to €108 million (2019: €81 million). Normalised EBIT declined to €(60) million (2019: €(37) million), mainly as a result of higher pension expenses of around €25 million (an accounting impact only) as indicated earlier.

Pensions

Pension expense amounted to €145 million (2019: €119 million) and total cash contributions were €311 million (2019: €144 million) or €111 million excluding the settlement payment of €200 million (2019: €111 million, excluding the unconditional funding obligation payment of €33 million). On 31 December 2020, the pension fund's actual coverage ratio was 111.1%. The fund's 12-month average coverage ratio was 104.4%, above the minimum required funding level of around 104.0%. Taking into account the resilience of the fund, no top-up payment obligation is expected.

Based on the financing agreement with the pension fund, the final payment for transitional plans at year-end 2020 was determined on parameters as in Q3 2019, when interest rates were very low. Taking into account the interests of all stakeholders, PostNL initiated discussions with the pension fund on options for a solution to smooth the impact of low interest rates in determining the final payment. In June, parties agreed on modified payment conditions.

The final payment now amounts to €280 million, of which PostNL had paid the pension fund €200 million at year-end 2020. The remaining €80 million will be deferred and paid in five annual instalments between 2021 and 2025. The agreement also led to reduced funding costs of soft pensions during 2020. In total, the reduction of the cash contribution for transitional plans amounted to around €20 million.

Discontinued operations

As of Q3 2018, following the decision to divest Nexive and Postcon, both business units are reported as 'held for sale' and the results and cash flows are reported as 'discontinued operations'.

The sale of Postcon to Quantum Capital Partners was completed on 31 October 2019. The sale of 80% of the activities of Nexive to Mutares SE & Co KGaA was completed on 1 July 2020. PostNL obtained a minority interest of 20% in the entity acquiring the Nexive business. As part of the transaction, PostNL agreed to commit to a cash contribution.

In 2020, the result from discontinued operations of €4 million was €72 million better than in 2019.



Sale-and-leaseback agreement

76

On 5 November 2020, we agreed a €150 million sale-and-leaseback transaction on four mail sorting centres in the Netherlands, and the international sorting centre in The Hague. The sorting centers were sold to Urban Industrial, a Dutch company focused on the long-term exploitation of industrial real estate.

Nikaj van Hermon guided the process for PostNL. "Along with the sale we signed multi-year rental agreements with Urban Industrial for all locations, with lease terms varying between 5 and 10 years."

"The transaction strengthened our balance sheet and released value for the company, enabling us to accelerate the digitalisation of our company in a number of key areas as part of our ongoing transformation."

"In addition to the financial benefits, the transaction also gives us more flexibility to adapt to future volume decline within Mail in the Netherlands."



This improvement is almost fully explained by the adjustments of €22 million in 2020 versus €(48) million in 2019, which resulted from the updated fair value assessment of the transactions with Mutares (Nexive) and Quantum Capital Partners (Postcon).

On 16 November 2020, PostNL and Mutares announced they reached an agreement with Poste Italiane to sell 100% of the activities of Nexive to Poste Italiane. The transaction has been completed on 29 January 2021.

For further details on our discontinued operations, see note 3.9 Assets classified as held for sale and note 5.5 Subsequent events to the consolidated financial statements.

PostNL Key figures in € million

Year ended at 31 December	2019	2020
Revenue	2,844	3,255
Operating income	119	293
Profit for the period	4	213
Profit from continuing operations	72	209
Total comprehensive income	3	237
Free cash flow	107	186
Adjusted net debt	736	407
Consolidated equity	(21)	219

Development of financial and equity position

As of 2020, management analyses and reports on the Group's profitability performance applying the key performance indicators revenue, normalised EBIT and free cash flow. Free cash flow gives a reflection of the Group's ability to generate cash available for acquisitions, debt repayments and/or dividend distributions. The repayments of leases, reported as cash used in financing activities following the adoption of IFRS 16, are as such included in our calculation of free cash flow.

Free cash flow

Our free cash flow performance improved by €79 million to €186 million in 2020 (2019: €107 million). The performance was impacted by two material transactions: the net proceeds of €148 million from the sale-and-leaseback transaction, further explained in the story box, and the settlement payment of €200 million related to the transitional plans.

Our strong business performance and substantial growth in profitability of €110 million, together with a favourable working capital development of €44 million resulting from our strict working capital management, were the main contributors for the material increase in adjusted free cash flow. Slightly higher capital expenditures (€(12) million) and lease payments (€(17) million) were almost fully offset by lower taxes paid (€22 million).

PostNL Free cash flow in € million

Normalised EBIT	245
Reversal normalisations	49
Depreciation & amortisation	164
Capex	(78)
Lease payments	(79)
Change in working capital	9
Change in pension and provisions	5
Interest paid and income tax	(27)
Other	(49)
Adjusted free cash flow	238
Sale-and-lease back transaction	148
Final payment transitional plans	(200)
Free cash flow	186

Return on invested capital

Our aim is to generate a positive spread of the return on invested capital (ROIC) over the post-tax WACC (7.7% for the Group). The ROIC is based on reported operating income (less statutory tax). At the end of 2020, the ROIC for the Group was 17.2% (2019: 7.5%). The positive spread over the WACC in 2020 was +950 bps, which reflects the exceptional good performance in 2020.

The favourable effect of the book profit of the sale-and-leaseback transaction as well as the non-recurring impact of Covid-19 in 2020 explain a large part of the exceptional ROIC in 2020. However, if adjusted for large incidental and non-recurring effects, still a proper positive spread over the WACC would result.

The increase of the ROIC compared to 2019 is explained by an underlying improved business performance (reflected by the increase in normalised EBIT) and the above mentioned positive incidentals, partly offset by an increased level of invested capital due to higher lease liabilities and higher equity, partly offset by a large decrease of the pension liability.

Adjusted net debt

At the end of 2020, our adjusted net debt position amounted to €407 million (2019: €736 million). The improvement of €329 million was fuelled by our strong performance on adjusted free cash flow and the net impact of the sale-and-leaseback transaction, which, taking into account the long-term lease arrangements related to this transaction, positively impacted the adjusted net debt position by €97 million at the transaction date. Refer 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

At 31 December	2019	2020
Short- and long-term debt	696	708
Long-term interest bearing assets	(6)	(27)
Cash and cash equivalents	(480)	(651)
Net debt	210	31
Pension liabilities	283	86
Lease liabilities (on balance)	264	294
Lease liabilities (off balance)	51	66
Deferred tax assets on pension and operational lease liabilities	(72)	(70)
Adjusted net debt	736	407

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 from 2.6 in 2019 to 1.0 in 2020, significantly below our target not to exceed 2.0.

Consolidated equity

Total equity attributable to equity holders of the parent company increased to €219 million at 31 December 2020 (2019: €(21) million). The increase of €240 million is mainly explained by the net income of €213 million in 2020 (2019: €4 million) and a €25 million positive impact from pensions, net of tax, recorded within other comprehensive income.

PostNL Consolidated equity development in € million

31 December 2019	(21)
Profit for the year	213
Other comprehensive income pensions	25
Other	3
31 December 2020	219

The increase in net income from €4 million in 2019 to €213 million in 2020 comprises a €137 million higher result from continuing operations and a €72 million higher result from discontinued operations. The book gain related to the sale-and-leaseback transaction, recorded within other income, contributed €60 million to the result from continuing operations. The strong improvement in net income increased the total earnings per share from 0.8 eurocents in 2019 to 43.0 eurocents in 2020.

Liquidity and solvability

At year-end 2020, PostNL's cash and cash equivalents amounted to €651 million (2019: €480 million) with current assets exceeding current liabilities.

Furthermore, PostNL has a €400 million committed revolving credit facility, which was fully undrawn at the end of 2020 (2019: undrawn). 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 2020

In accordance with our dividend policy, adopted at 21 February 2020, PostNL aims to pay a dividend that develops substantially in line with operational performance. The dividend pay-out ratio will be around 70% - 90% of normalised comprehensive income. Further to the normalisation applied to operation income, we also normalise the result from our discontinued operations. In 2020, PostNL's normalised comprehensive income amounted to €197 million (2019: €83 million).

PostNL Normalised comprehensive income in € million

2019, 2020

Year ended at 31 December	2019	2020
Profit for the year	4	213
Other comprehensive income	(1)	24
Comprehensive income	3	237
Normalisations on EBIT (less statutory tax)	12	(36)
Normalise result from discontinued operations	68	(4)
Normalised comprehensive income	83	197

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 (adjusted net debt/EBITDA) not exceeding 2.0 and applying strict cash flow management. This condition was clearly met at the end of 2020. As a result, PostNL will recommend to the Annual General Meeting of Shareholders a payout of 70% of normalised comprehensive income, being a dividend of €0.28 per ordinary share (2019: €0.08). This will be paid as 2020 final dividend in May 2021 after approval by 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 29 January 2021, PostNL and Mutares announced they have closed the sale of Nexive, the number-two mail and parcels provider in Italy, to Poste Italiane. PostNL also terminated the joint venture agreement with Mutares, which resulted in the release of the remaining part of the committed cash contributions. The transaction resulted in a net result of €26 million and cash proceeds of €29 million.

On 23 February 2020, 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, the market leader in customer contact within the Benelux. The transaction is expected to result in a book profit of around €15 million and gross cash proceeds of around €48 million.

Outlook 2021

Our FY 2020 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 and value creation for our stakeholders. Strong focus on capital allocation is essential to ensure we use our financial capital as efficiently as possible.

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. As an example, our innovative small parcels sorting centre will become operational in the course of this year.

Within Mail in the Netherlands, we focus on keeping physical mail relevant and generating a stable cashflow performance. The consolidation with Sandd has delivered synergies as the integration was fully completed by 1 February 2020. To offset the negative impact of ongoing volume decline, we are introducing further efficiencies and synergies across our operations, such as rolling out the New mail route, to realise cost savings and strengthen our services.

With the step-up in consumer preference towards online shopping and the fast developments in digitalisation and technology, now is the right moment to launch 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.

For 2021, the outlook for normalised EBIT is between €205 million and €225 million (2020: €245 million, €190 million excluding the estimated non-recurring Covid-19 impact). Normalised EBIT in 2021 includes around €(20) million additional (non-cash) pension expenses and around €(10) million operating costs for the acceleration of digitalisation.

The free cash flow outlook for 2021 is between €200 million and €230 million (2020: €186 million). Free cash flow in 2021 includes a €(16) million pension settlement payment and around €(15) million expenditure for the acceleration of digitalisation.

The following table shows our outlook for 2021 on normalised EBIT and free cash flow.

PostNL Outlook 2021 in € million

	2020	2020 corrected for non-recurring impact Covid-19	2021 outlook	remarks
Outlook				
Normalised EBIT	245	190	205 - 225	including ~(-30) for Digital Next and increase in non-cash pension expenses
Free cash flow ¹	186		200 - 230	including ~(-15) for Digital Next
Other main financial indicators			2021 indicative	
Capex	(78)		(140) - (160)	
Changes in pension liabilities ²	(166)		~55	Δ pension expense and pension cash contribution
Normalised comprehensive income	197		~200	

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

2 Including settlement payment for transitional plans of €200 million in 2020 and €16 million in 2021.

Other non-financial targets for 2021:

- Share of highly satisfied customers: 37% (2020: 37%)
- Share of engaged employees: 81% (2020: 84%, which was positively impacted by Covid-19)
- Delivery quality Mail in the Netherlands at/above the minimum required level of 95% (2020: preliminary 94%)
- Delivery quality Parcels in the Netherlands at/above 98% (2020: 99%)
- CO₂ efficiency of 205 gramme per kilometre (2020: 249)

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 measures.



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 2020 did not materially change compared to 2019. Our risk appetite differs per risk type:

Internal control framework

In 2020, we continued investing resources to improve the design of our internal controls over financial and non-financial reporting including more reliance on IT controls in our core processes. Also, we 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.

Performance of our internal control environment is regularly measured and monitored by 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 2020.

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

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 2020

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

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 2020' addressed employees' familiarity with the PostNL Business Principles, and their perception whether we work according to the PostNL Business Principles. The main outcome of this assessment in 2020 showed that 85.8% of the responders are (partly) familiar with the PostNL Business Principles. Of this 85.8%, in total 59.4% perceive that PostNL mostly works according to the PostNL Business Principles and 14.9% perceive this as continuously. We use the outcome of the monitor as input for our integrity approach and our activities at the PostNL Group companies.

During the year we started 636 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. This resulted in 235 discontinued work relationships. At year-end 2020, 57 investigations were ongoing. To the best of our knowledge, we had no cases of bribery or corruption that had a significant impact on our business.

Although not identified as key risks, we have identified risks of bribery and corruption in the area of procurement, where breaches to our policies could occur between suppliers and PostNL employees.

Cyber Security

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, which guides 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 centralized 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 addition in 2020 we have started to explicitly address cyber security in our review of internal controls performed by our suppliers since most of our critical application are implemented based on SaaS and Cloud principles. This assessment will be continued in 2021.

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 (including a processing register, process reporting data leaks, process rights of the person concerned, implementation of DPIAs, Privacy by Design) to adequately implement the 'accountability' in the field of the protection of personal data.

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 ERM 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. 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 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

Together with all the people at PostNL, we have proven the strength of our business model under difficult circumstances related to Covid-19. Developments around the pandemic are worrying and we continue to monitor closely compliance with all hygiene and safety measures within our operations and offices. Internal Audit department performed reviews in our operations regarding the compliance with the guidelines of National Institute for Public Health and Environment. The health and safety of our people, customers and consumers is and will remain our number one priority.

In this section we describe the main risks in detail for the short (0 - 1 year), medium (2 - 5 years) and long term (5 years and longer) and opportunities are referenced in other sections of this report. The key risks we face in executing our strategy and business processes are described in the following tables. The identified risks are related to our strategic objectives, which are described in the 'Our strategy' chapter and have been used as input for the stakeholder materiality matrix as described in the 'Our operating context' chapter. We

start with the table on our strategic risks below, followed by the operational, regulatory and financial risks we identified.

For each risk, we determine the risk level based on impact and likelihood of occurrence, using a three-point system classifying risks as low, medium and high (1-3). In addition, we have indicated the risk trend for each risk as increasing, decreasing or stable, which indicates our expectation of the risk to change in the future. Management reviewed the risk profile regularly throughout 2020 and will continue to do so during 2021.

Risk mitigation as described below is meant to provide a high-level overview of potential and initiated action items in response to the risks identified and is not to be interpreted as a comprehensive list of risk responses within PostNL. The risks related to unforeseeable events are very difficult to quantify, and while we organise comprehensive risk mitigation techniques, we are not always able to anticipate the consequences these types of events may have, if any, on our financial performance and position.

Strategic Competition

Description: Competition continues to put pressure on our market share, volumes and prices, which could have an adverse effect on revenues and profitability. We are faced with increasing

competition particularly in our traditional parcels and international businesses as markets become more dynamic and volatile. We continue to experience competition from both established logistics players and new entrants, attracted by growth in the e-commerce market. In this area we see that new functionality, driven by the speed of IT developments, is increasing. Next to this we see the impact of the platform businesses, which has an effect on the concentration of volumes, thereby increasing purchasing power for these platforms. In addition, customer satisfaction is increasingly a decisive factor for maintaining competitive advantage. Our largest competitors have expanded their network capacity and were able to capture some of the volume growth resulting from the Covid-19 outbreak, while our initiatives to increase capacity were in progress. It remains uncertain how the volumes will develop in 2021 in case the lockdown measures will be lifted. We expect that some of the volume will return to the retail sector. In our international business we saw strong revenue growth at Spring, boosted by accelerating e-commerce-related revenue both in Asia and Europe.

Mitigation activities and opportunities: In the markets where we decide to protect our position, we are focusing on margin management by increasing efficiency and leveraging on economies of scale among other initiatives to increase the profitability per parcel. Multiple commercial initiatives are in place, such as differentiating service levels, (new) products

PostNL Strategic risks

Topic	Risk level (1-3)	Trend	Risk summary	Link to key material topics
Competition	● ● ●	==	Pressure on market share, volumes and prices impacting revenues and profitability	Financial performance and position
Substitution	● ● ●	==	Acceleration of decline in physical mail impacting revenues and profitability	Relevance of physical mail
Implementation of strategic change projects	● ● ○	↑	Delay in digital transformation and the capital markets day objectives due to challenges with executing a broad range of large change projects at the same time. This may impact the ability to meet our medium-term targets in relation to operational efficiency and customer experience	E-commerce growth
Climate change and air pollution	● ● ○	==	Failure to achieve our long-term carbon emission reduction targets can have adverse impact on our licence to operate and financial performance	Emission-free delivery Sustainable logistics

and adequate pricing, as well as initiatives aimed at improving our customer satisfaction and quality, including investments in our network coverage and projects related to operational excellence. Our customer & quality management department continuously monitors our customer satisfaction metrics and oversees related improvement initiatives. Further information regarding competition can be found in the 'Our operating context' chapter.

Substitution

Description: The ongoing digitalisation trend amongst consumers to move to online alternatives is leading to a decline in physical mail. As a result, the volume of mail is decreasing and there is a risk that this decrease will accelerate faster than anticipated. Since the outbreak of Covid-19 in the first half of 2020 we experienced an accelerated rapid decline in mail volumes, which stabilised in the second half of this year and we do not expect further acceleration of substitution. Both during the first weeks of the pandemic and the second lockdown at the end of the year, people sent significantly more greeting cards and gifts using letterbox parcels. This helped Mail in the Netherlands realise an exceptional performance. Overall decreasing mail volume requires us to adapt our infrastructure and delivery processes. Substitution or alternatives to our delivery services may reduce revenues and profitability. A relatively higher share of higher-margin single mail and parcel items could have an impact on the level and phasing of regulated stamp price increases in the future. A decline in the addressed mail volume mix of one percent results, on average, in a decrease of approximately €7 million in normalised EBIT.

Mitigation activities and opportunities: We continuously and consistently take commercial initiatives to slow down or adapt to substitution, leading to the introduction of a range of new services and solutions and the abolishment of existing services and solutions. Furthermore, we develop operational processes to be able to adapt more flexibly to future volume declines. In the first quarter of 2020 we completed the integration of the postal networks of PostNL and Sandd ahead of plan in delivering anticipated benefits and synergies. At the same time, international mail volumes declined further during the pandemic. More information can be found in the 'Customer value' chapter.

Implementation of strategic change projects

Description: We are implementing a strategic change programme consisting of multiple projects and company-wide initiatives to adapt to the speed of the digital transformation and to further balance between volume growth, profitability and cash conversion. There is a risk in case we are not able to achieve the accelerated digital transformation. This requires an organisational agility and stakeholder management, as well as project management expertise. Executing the broad range of projects and operational activities at the same time may cause delays and/or suboptimal

solutions. Digital transformation initiatives also aim to enhance operational efficiency and to realise cost savings, and therefore may have an adverse material effect on our medium-term targets. The strategic change projects inherently increase the risk that internal controls are ineffective for a short period.

In the long term PostNL 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 its core markets with e-commerce, tech giants or new start-ups using new disruptive technologies.

Operational integration of Sandd, as well as the COVID-19 pandemic, required extraordinary commitment and effort from our employees, and has put considerable pressure on our change and operating capacity which resulted in delays in other change and cost-saving initiatives during 2020. The delay due to the Sandd integration was in line with the post merger integration plan and the related business case assumptions.

Mitigation activities and opportunities: The balance between volume growth, profitability and cash conversion has improved due to Covid-19. This improved financial position has allowed us to accelerate the digitalisation of our company in several key areas as part of the transformation of PostNL. With this acceleration, we aim to strengthen our competitive position and contribute to customer satisfaction, reducing our cost base and attracting new customers. Divestment of Nexive, Spotta, Adeptiv and Cendris as well as completion of Sandd integration further contributed to the realisation of our strategic change programme allowing us to focus even more on our core postal and logistics services in the Benelux.

Climate change and air pollution

Description: As a logistics and postal service provider we produce GHG emissions from our national and international operations. In addition, we produce nitrogen oxides (NOx) and particulate matter (PM) emissions that negatively impact air quality. We are committed to understanding and reducing the impact of our organization on climate change, and related economic and social effects. This commitment is supported by our objectives to realise emission-free last-mile delivery in 25 city centres in the Netherlands by 2025, and across the Benelux by 2030. Achieving these objectives will involve multiple complex changes in our business operations and reporting processes. Not being able to achieve these objectives may have an adverse material impact on our reputation and our financial performance.

In the long term PostNL may not be able to adapt its business and operational model and make it commercially viable in time to meet the increasing sustainability requirements and expectations of the society and other stakeholders and as a result may lose its license to operate.

Mitigation activities and opportunities: We continue to execute our action plan to achieve our emission reduction towards 2030. These actions are directly linked to the four pillars in our environmental strategy: Network efficiency, Green kilometres, Sustainable buildings and Green products and services. We are increasing our emission-free kilometres, for example by phasing in electric vehicles which will be used from parcel sorting centres, and various light electric commercial vehicles are being tested in several cities. The availability of electric vehicles remains a challenge. Furthermore, we have established a Green Bond Committee to monitor the investment and implementation of projects to reduce CO₂. We monitor, report, and evaluate the results of our strategy execution against short- and long-term targets in our planning and control cycle and review our long-term roadmap annually.

Climate adaptation risks: In 2020 we have performed a climate risk assessment workshop where we explicitly addressed the risks in relation to climate adaptation, where we have looked at the risks for PostNL and the broader supply chain, including our suppliers and customers. Regarding our own operations, we have addressed

climate adaptation risks in our business continuity management process. In relation to the value chain risks, the risk assessment workshop showed that it is difficult for us to properly identify relevant risks in the value chain without engaging in close dialogue and cooperation with our suppliers and customers. Due to Covid-19, we postponed our stakeholder dialogue event to a moment when we can meet again physically.

Climate change may lead to acute physical risks that we are monitoring closely, such as extreme weather, heatwaves or floods. Such risks are addressed through specific measures as part of our regular business continuity process. For instance, during periods of extreme heat we have taken steps to improve ventilation, improve availability of fresh water, introduced longer pauses and adjusted working times. If we do prepare for these events, this may lead to action being taken by our employees or issues in our sorting centres and transport that disrupt the continuity of our services. This leads to cost increases, a negative impact on customer satisfaction and, ultimately, loss of revenues.

Operational

PostNL Operational risks

Topic	Risk level (1-3)	Trend	Risk summary	Link to key material topics
Information Technology	●●○	==	Ineffective IT management systems leading to issues in e.g. availability, integrity, confidentiality may impair the quality of our business processes, cost effectiveness and/or reputation	E-commerce growth Customer experience Digitalisation and data
Execution of cost saving initiatives	●●●	==	Unsuccessful or delayed cost saving initiatives, impairing cost savings and employee engagement	Engaged people Relevance of physical mail
Network peak capacity	●●●	==	Operational failures, disruptions in logistic processes and capacity constraints due to the substantial increased volumes in our parcel business Impairing business continuity, customer satisfaction and employee engagement	Customer experience Engaged people
Employee attraction, development and retention	●●○	↓	Lack of motivated employees due to a tight labour market and/or not being an attractive employer.	Engaged people

Information technology

Description: Information technology (IT) is vitally important to our business and we are increasingly dependent 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 damage our ability to provide timely delivery, or result in loss or theft of customer data, higher costs, penalties and damage to our reputation. Cyber attacks and online fraud attempts have become more attractive for criminals in recent years and the likelihood of this risk materialising is increasing.

In the long-term cybersecurity risks are expected to remain relevant and become increasingly important for PostNL. This relates to both internal (e.g. a super user within IT-department abuses authorities and sabotages/destroys relevant files) and external risks (e.g. a hacker gets access to critical business application through phishing or social engineering and is able to steal or destroy confidential business data, make servers and services unavailable including DDOS attacks, ransomware infection, etc.).

Mitigation activities and opportunities: Cyber security is an essential element in our IT strategy, which is centrally governed and managed by a central Cyber Security Office with decentral cyber security coordinators. Combined with 'Security by Design' principle this helps us ensure appropriate attention to cyber risks in all stages of the IT development process including amongst others architecture and design documents, testing and implementation plans, and awareness programmes. Given our full (public) cloud strategy, management of our cloud suppliers is one of our most important processes and subject to a strict control framework (so-called CRA methodology). We have also established a Data governance board to monitor management of data including privacy aspects and data related to customers. Furthermore, all critical applications are frequently measured and tested against our resilience criteria and actions are taken to keep the application up to date and at the required levels. We continue to phase out all the legacy systems which contributes to the improvement of the overall IT infrastructure stability.

Execution of cost saving initiatives

Description: Cost saving initiatives, including streamlining our workforce, introducing greater efficiencies across our infrastructure, and reducing costs at our head office, may be delayed or not achieve the results intended. Additionally, they could cause labour unrest. This could result in the deterioration of our employee engagement.

Furthermore, this could have an adverse impact on the quality of services we provide. For example, it could lead to a drop in the delivery quality of our mail business. Other adverse results could be an impact on our reputation and financial performance. To be

able to execute the Sandd integration plan according to schedule and process the additional volumes, we have delayed several cost reduction initiatives which were initially scheduled for the first half of 2020. This is in accordance with the integration business case.

Mitigation activities and opportunities: 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.

In 2020 several important changes were successfully implemented that help us realise our cost-saving initiatives, such as adjustments to the sorting and delivery process, streamlining of staff and centralising of locations. The project has a considerable impact on our customers, operations and our employees. Additional information on these initiatives can be found in the 'Customer value' chapter.

Network peak capacity

Description: The growth of e-commerce during the Covid-19 pandemic means we are facing the risk of operational failures, disruptions in logistic processes and capacity constraints due to the substantial increased volumes in our Parcels business. This is particularly acute during the peak periods when our networks operate at full capacity. In case of such major business disruption, 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 our employees, such as 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. Recent developments related to the new strain of the Covid-19 virus in the United Kingdom have led to extra measures and the introduction of a curfew, which may limit the delivery times and will put additional pressure on our network capacity.

In addition, we foresee that while the e-commerce market will continue to grow in the coming years, the infrastructure capacity may not be able to keep up at the same pace. Given the current business models of logistic service providers, this may result in more traffic congestion, which imposes a risk on our ability to deliver a growing number of parcels on time. This may have a material effect on our business as customers increasingly look for fast delivery options.

Mitigation activities and opportunities: We continuously look for initiatives that increase our operational efficiency in our sorting centres to increase the capacity of our networks. To manage significant volume growth in our Parcels business as a result

of Covid-19, we continue to invest in new sorting centres and vehicles. In 2021 we will open three new sorting centers, which will considerably increase our network capacity. We also continue to invest in recruitment, development, and retention of our personnel. Over the long term, we are investigating the future logistical model for Parcels. In addition, we have worked together with industry organisations, other carriers and e-tailers to create a media campaign advising customers to prepare in time for the busy end-of-year period, and for consumers to order on time in order to achieve the optimum load of volume capacity in our network. We have updated and revised our business continuity approach for a pandemic response related to our operational processes.

Operational efficiency in road transport is an ongoing focus area. This includes, for example, optimisation of packaging and route planning to increase the occupancy rate of our road transport. During the pandemic, we implemented the Sales & Operations programme to align and optimise client demand (key client rolling forecasting) and operations planning (capacity). This programme facilitates predicting upcoming peaks (and troughs) to avoid last-minute unpleasant customer surprises.

Employee attraction, development and retention

Description: People are at the heart of the services we provide to our customers. We face the risk of not being able to attract, develop and retain qualified personnel. This risk concerns people in our operations, specialists, and management. One consequence of Covid-19 was the shift in the labour market, with some impacted by the lockdowns looking for new employment opportunities, and the general attractiveness of PostNL as an employer. However, due to

the pandemic outbreak we may face an increase in health-related workplace absenteeism among employees.

Mitigation activities and opportunities: We make use of innovative online recruitment techniques and are continuously improving the employee experience. We have supported the safety and well-being of people more effectively in challenging times. In addition, we continue to invest in training, health and safety measures, development and employee retention. For example, we have added various new development programmes and learning tools and invest more in PostNL employer branding in addition to recruiting for individual jobs.

In 2020 the temporary shutdown of businesses across the hospitality sector and parts of the retail sector because of the Covid-19 crisis led to a buoyant labour market. This meant that it was easier for us to fill vacancies across the company. We can not anticipate to what medium- or long-term impact this may have on our staffing situation. Our commitment remains on retaining people who are well trained, passionate, and who want to make a difference for our customers, by offering training, mentoring and development opportunities.

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 as well as training and development of our staff. In addition, we make use of innovative online recruitment techniques and are continually improving the employee experience.



Regulatory

PostNL Regulatory risks

Topic	Risk level (1-3)	Trend	Risk summary	Link to key material topics
Regulatory requirements	●●●	==	Non-compliance with current or inadequate adaptation with future laws and regulation adversely impacting business operations, our reputation and on our financial performance	Relevance of physical mail

Regulatory requirements

Description: We are confronted with complex legal and regulatory requirements in the countries in which we operate. These include, but are not limited to, tariff regulation, competition law, regulation related to dangerous and prohibited goods, customs regulations, labour regulation, data protection, environmental and privacy requirements. Changes in legal and regulatory requirements, and the interpretation thereof, had and may continue to have, an

adverse material impact on our business operations, our reputation and on our financial performance. As of 31 December 2020, the United Kingdom is no longer part of the internal market of the EU, this results in the imposition of customs declarations, verifications, tariffs, and may also impact our logistical operations consequently leading to higher costs. We expect that Brexit may cause disruptions in the supply chain at the beginning of 2021 and we are impacted by uncertainty related to the long-term effects on our cross-border

e-commerce business between the EU and the UK. Abolition of the VAT exemption ruling is also expected to have an impact on our costs but may also lead to new business opportunities.

In the Netherlands, a specific regulatory circumstance is that PostNL is appointed as the designated operator to provide services under the universal service obligation (USO). This is the basic postal service, which ensures that nationwide postal services remain accessible, affordable and reliable for all. Possible changes in the postal legislation, or adverse decisions of the Ministry of Economic Affairs or the ACM in relation to the USO, including tariff regulation could have an adverse impact on our ability to adapt to market developments and changes in customer demand in a timely and effective way and may impact our financial performance. We expect a delay in the implementation of the new postal legislation, which is currently in development. The uncertainty and potentially negative

financial consequences of the new postal legislation remains a risk. Ruling on Sandd take-over and Article 47 may lead to additional costs related to appealing against the court decision.

Mitigation activities and opportunities: We implement appropriate policies, processes and internal control procedures, which limit exposure to complex legal and regulatory requirements, such as competition law and anti-bribery acts, and operate a robust integrity programme that includes business principles. We have a continual dialogue with governmental and non-governmental stakeholders about complying with regulation. We are constantly adapting our operations to changes in the legal and regulatory requirements. In addition, we continue dialogue with governmental and non-governmental stakeholders about the development of USO regulations at both EU and national levels.

Financial

PostNL Financial risks

Topic	Risk level (1-3)	Trend	Risk summary	Link to key material topics
Total cost of labour	●●○	==	Higher than anticipated total cost of labour and opportunity costs due to operational disruptions	Financial performance and position
Funding ratio pension fund	●○○	↑	Economic climate and demographic variables may negatively impact the funding ratio, pension provisions or additional funding obligations	Financial performance and position
Financial risk management	●○○	==	Adverse effects of financial risks on financial position and results	Financial performance and position
Liability for loss or damage	●○○	==	Exposure to claims for loss or damage adversely impacting our financial performance	Financial performance and position

Total cost of labour

Description: 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 activities and opportunities: We maintain 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.

We started negotiations for a renewal of the Social Plan, which ended 31 December 2020. In March 2020 PostNL and the trade unions Bond van Post Personeel (BVPP) and CNV Publieke Diensten have reached a final agreement on a new collective labour agreement for mail deliverers. The new collective labour agreement will apply retroactively from 1 October 2019 to 30 September 2021. In December, we agreed a new PostNL collective labour agreement (CLA) and a CLA for Saturday deliverers with the BVPP, CNV and FNV trade unions. The final agreements include a structural salary increase of a total of 5.5% over two years, a performance-related bonus of 1% given the exceptional results of 2020, which is on top of the 2% performance-related bonus for 2020, and a non-recurring payment of 0.5% in December 2020. This is on top of the previously announced extra net payment of €250 in appreciation for working during the Covid-19 crisis.

Funding ratio pension fund

Description: 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 and the uncertainty of implementation of legislation in the new pension agreement with possible consequences for the transition to a new pension system 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 2020, the 12-months average funding ratio decreased from 110.6% per year end 2019 to 104.4% per year end 2020. This may lead to a new recovery plan aimed at compensating further deterioration of the funding ratio. The actual year end 2020 funding ratio was 111.1%. In addition, the intended comprehensive change in pension legislation may lead to financial transition effects.

Mitigation activities and opportunities: We hold open and regular discussions with the pension fund trustee board, which is independent of PostNL. We have reduced the volatility risk of our pension provision in recent years by revising 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.

Financial risk management

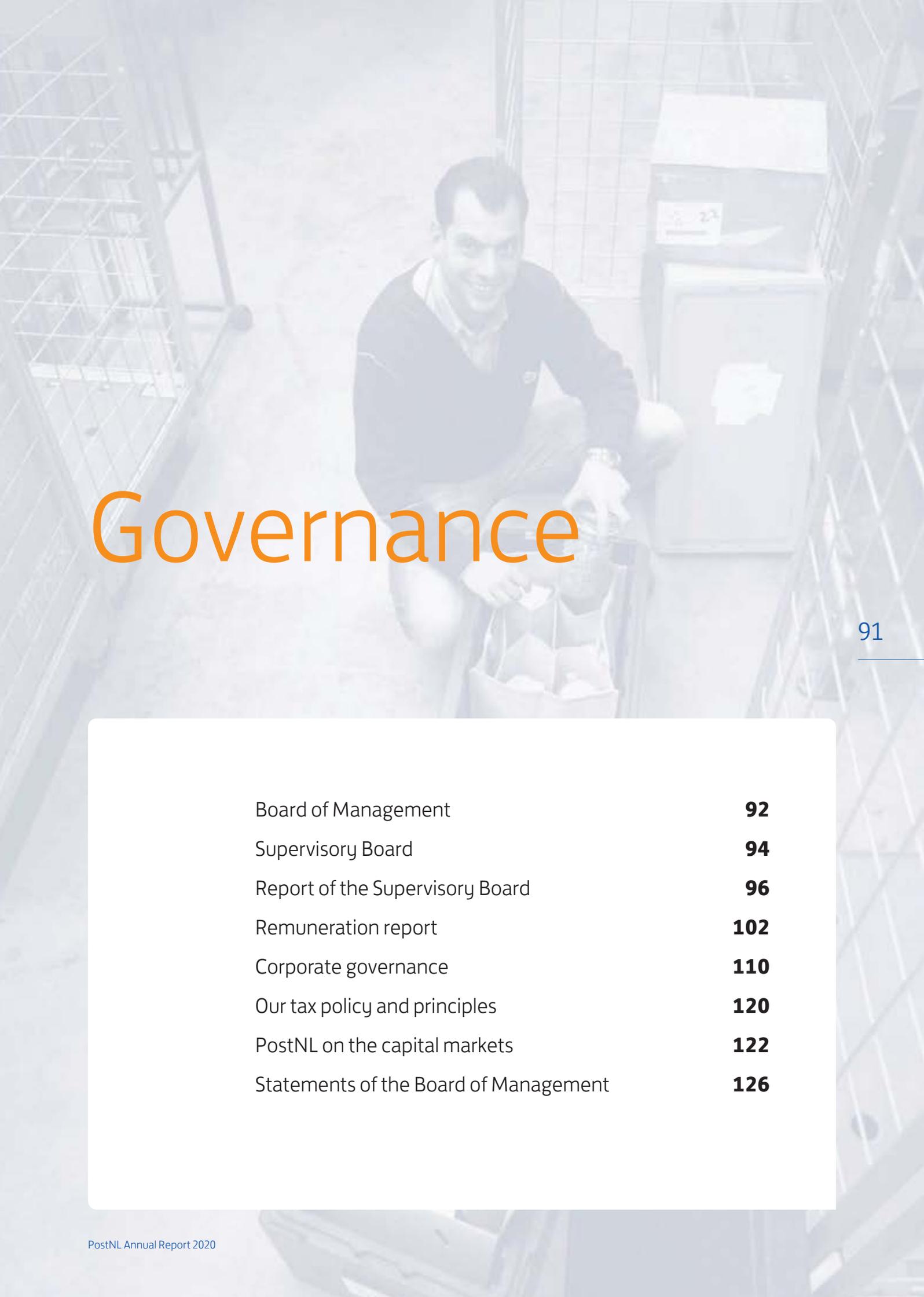
Description: We are exposed to a variety of financial risks, such as currency risk, interest rate fluctuations, credit risk, liquidity risk, price risk and cash flow risk. These risks can have an adverse effect on our financial position and results. This also impacts the valuation of the pension provision.

Mitigation activities and opportunities: Such risks arise in the normal course of business and we use various techniques and financial derivatives to mitigate them. For example, we hedge both currency and interest rate risks in accordance with the relevant Group policies. In November we completed the sale-and-leaseback agreement of five sorting centres in the Netherlands. The proceeds of these agreements have improved the free cash flow for 2020. The improved financial position allows us to accelerate the digitalisation of our key activities. We have reconfirmed the intention to resume dividend over full-year 2020, based on this transaction and the strong business performance in 2020. This lowered our interest expenses and improved our ratios. In June we signed an agreement with the Pension Fund to determine details and conditions of the final payment for transitional plans. For more information, see note 4.4 to the consolidated financial statements.

Liability for loss or damage

Description: 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 activities and opportunities: We maintain 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.



Governance

91

Board of Management	92
Supervisory Board	94
Report of the Supervisory Board	96
Remuneration report	102
Corporate governance	110
Our tax policy and principles	120
PostNL on the capital markets	122
Statements of the Board of Management	126

Board of Management



At year-end 2020, 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 Board of Management

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 Boards of Rexel S.A. (France), 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 a member of the board of advice of Endeit Investment Fund and chairman of the Johan Cruijff Foundation.

Pim Berendsen holds no positions 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 2020, the Supervisory Board consisted of seven members: the chair of the Supervisory Board, Jan Nooitgedagt (who is also chairman of the Nomination Committee); Marike van Lier Lels (vice chairman of the Supervisory Board); Eelco Blok; Thessa Menssen (chairman of the Audit Committee); Agnes Jongerius; Jeroen Hoencamp; and Ad Melkert (chairman of the Remuneration Committee). 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

94

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 member of the Supervisory Board of Rabobank and chair of the Supervisory Board of Invest-NL. Additionally, his other positions include chair of the board of VEVO (Association of listed AEX companies).

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 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 chairman 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'.

Eelco Blok (1957, Dutch, male)

Eelco Blok was appointed member of the Supervisory Board on 18 April 2017. His current term expires in 2021. He is a member of the Supervisory Board of Signify and VolkerWessels, non-executive director of Telstra and OTE and advisor of the Reggeborgh Groep.

Eelco Blok was CEO and chair of the management board of KPN. Before joining KPN's management board, he held various positions within KPN (and its legal predecessors). Additionally he was co-chairman of the Cyber Security Council.

Eelco Blok 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 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'.

Agnes Jongerius (1960, Dutch, female)

Agnes Jongerius was appointed member of the Supervisory Board on 16 April 2013. Her current term expires in 2021. She is a member of the European Parliament.

Agnes Jongerius was president of the Dutch Trade Union Confederation (FNV), a member of the Social and Economic Council (SER) and workers' chair of the Labour Foundation.

Agnes Jongerius 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'.

Thessa Menssen (1967, Dutch, female)

Thessa Menssen was appointed member of the Supervisory Board on 25 May 2011. Her current term expires in 2021. She is a member of the Supervisory Board of the Dutch Development Bank (FMO), Alliander, and the Kröller Müller Museum.

Thessa Menssen was chief financial officer and member of the Executive Board of Royal BAM Group and chief operating officer of the Port Authority of Rotterdam.

Thessa Menssen 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'.

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 2020. 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 2020

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. In exercising its task in 2020, 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 applied all social distancing guidelines and health regulations to protect its people and consumers as much as possible. Additional measures were implemented across our operations and in our facilities to support social distancing and to ensure a safe and healthy working environment. Through such measures, PostNL was able to remain fully operational and was able to continue its primary business activities during these unprecedented circumstances. 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, uncertainties remain in relation to the development of the pandemic. Visibility remains limited and depends on factors such as social distancing measures, the potential for a third wave, macro-economic developments and consumer confidence.

OUR ROLE. During the first wave of the pandemic in March and April, the Supervisory Board were provided with weekly updates on the impact Covid-19 was having on PostNL's people and operations, and measures taken, along with the comprehensive business continuity plan which was put in place early in March. Such updates and the business continuity plan were discussed during weekly calls between the Supervisory Board, the Board

of Management and the Executive Committee. Following the implementation of the measures, and PostNL being able to remain fully operational, the weekly calls were scaled back to regular updates and virtual update meetings when believed necessary. This kept the Supervisory Board updated and helped them provide 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. We aim to offer more people a contract based on PostNL's solid working terms and conditions. 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. PostNL focuses on creating an atmosphere where people are passionate and proud to be part of the company. Above all, ensuring a safe and healthy environment for our people in the midst of the Covid-19 pandemic was and still is a key priority. PostNL is proud of its people, who are fully focussed on the ongoing delivery of mail, parcels and other shipments, such as medical goods and food, allowing people to stay at home. In appreciation and recognition of their commitment and hard work, we chose to give a bonus to our people, our parcel delivery partners and the sheltered workplace companies we work with for the efforts of their people.

OUR ROLE. The Supervisory Board and the Board of Management had regular discussions on this topic, covering the impact of the Covid-19 pandemic on our people in areas such as sick leave, social distancing, safety measures and work load, as well as the reward provided to our people, parcel delivery partners and sheltered workplace companies. Further items discussed were the labour market, the new PostNL collective labour agreement and collective

labour agreement for Saturday deliverers, organisational changes within the company, employee engagement and diversity and inclusion, and PostNL's culture. Furthermore, during 2020 several members of the Supervisory Board met with the daily management of the Central Works Council.

Parcels - strong operational performance

E-commerce grew significantly as consumers transitioned from offline to online during the pandemic, leading to substantial volume growth at Parcels during 2020. At the beginning of the pandemic, capacity was increased by 35% compared to the beginning of the year, and was further increased to 75% in the peak season as the closure of non-essential stores led to a steep rise in online purchases. Various measures were taken to keep the flow of parcels manageable, so that delivery could continue effectively and safely at peak levels. The company rented additional locations and vehicles and hired more deliverers and sorting centre staff. Revenue in 2020 surged, mainly driven by the volume development and a positive price/mix effect, thanks in part to yield management measures (including improved pricing) as part of the execution of our strategy to improve the balance between volume growth, profitability and cash conversion.

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 necessity to keep the Parcels' operations up and running. Furthermore, as a follow-on to the deep dives held on Parcels' strategy in 2019, thorough discussions were held on volume development and capacity, in conjunction with the increase of dual vendorship, competition and market share, as well as the further expansion of Parcels' infrastructure announced for 2021. 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. As a result, Spring saw rising revenues, with sharp growth in e-commerce-related revenue, both in Asia and Europe.

OUR ROLE. The Supervisory Board discussed developments with Spring as follow-ons to the deep-dive sessions held with the Board of Management, Executive Committee members and Cross Border management in 2019. Additional important topics discussed were Brexit, and the abolishment of the low value VAT exemption in 2021.

Mail in the Netherlands - consolidation of networks completed and strong operational performance

Performance at Mail in the Netherlands was marked by volume decline, the positive impact of moderate pricing and the combination of the mail networks as per 1 February 2020. The

latter is ahead of schedule in delivering the anticipated benefits and synergies. Covid-19 had a negative impact on international and bulk mail, with a slower rate of decline towards the end of the year. People sent more greetings cards in the first weeks of the pandemic, and more gifts and Christmas cards towards the end of the year. During the second lockdown, the number of cards and letters sent surged, more than doubling compared to average volumes during the year. PostNL makes use of its maximum capacity to deliver mail and parcels responsibly, while always prioritising the health and safety of its employees. In order to maintain coronavirus rules for the processing of mail and parcels, and to ensure the network continued to run properly, PostNL monitored developments and volumes closely to make any necessary adjustments. Going forward, PostNL continues to implement cost savings initiatives, such as adjustments to the sorting and delivery process, streamlining of staff and centralising of locations. However, the phasing of some of these projects has been delayed due to the additional measures taken to apply social distancing guidelines in operations and facilities.

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 regularly, for example 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 ruling. The Supervisory Board is impressed with the way the consolidation of networks has taken place, both from an operational and a financial perspective. 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, the developments in the regulatory environment, such as in relation to the anticipated new Postal Act, and customer satisfaction.

Value for our shareholders

Value creation for our shareholders remains a key priority. For 2020 PostNL reports strong business and financial performance, leading to upward adjustments on our outlooks in June 2020, October 2020 and January 2021, in which PostNL announced it expects its full-year 2020 normalised EBIT to come in at around €240 million. The agreement between PostNL and Pension Fund PostNL announced in June to determine details and conditions of the final payment for transitional plans, the increase in normalised EBIT as well as disciplined working capital management, translated into an improvement in free cash flow. Combined with the sale-and-leaseback transaction closed in November, this resulted in a leverage ratio below 2.0x by the end of the year, which means that PostNL is properly financed in line with its financial framework. The improved financial position allows PostNL to re-instate dividend for 2020, to be proposed to shareholders at the AGM 2021.

In January 2021 we announced that the basis for dividend, i.e. normalised comprehensive income, was expected to come in at around €195 million for 2020. Furthermore, in line with the strategy to be the leading logistics and postal service provider in, to and from the Benelux, we divested Nexive, Spotta, Adeptiv and - early 2021 - Cendris.

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, and the implementation of the plan for improvement of working capital. This was discussed in conjunction with the progress on - and impact of - the several projects implemented, such as the aforementioned agreement with the Pension Fund PostNL, the sale-and-lease-back transaction and divestments of Nexive, Spotta, Adeptiv and Cendris. As such, the improvement of the balance sheet as a whole, and the possibilities this brings about, such as payment of dividend, was a recurring item for discussion.

Digitalisation

We have to deal with continuously changing markets, with technology developing rapidly. Digitalisation and the growth in e-commerce, which are driving the transformation of our company, can be considered consequences of changing technology. Technological development is one of the key market trends that are shaping the lives of our customers and are impacting our strategy. At the same time, growing digitalisation and technical developments simultaneously lead to an increase in cyber threats. This requires continual improvement of our service proposition by developing innovative services, while ensuring our IT backbone is constantly updated and improved. Due to the attention paid to IT, further digitalisation and cyber security is required to adjust to or stay ahead of technological changes. Our improved financial position allows us to accelerate the digitalisation of our company in a number of key areas as part of the transformation of PostNL. With this acceleration, we aim to strengthen our competitive position and contribute to customer satisfaction, reducing our cost base and attracting new customers. With digital transformation a crucial driver of our strategy, PostNL has appointed Bart Delmulle as Chief Digital Officer and member of the Executive Committee per 1 February 2021. Together with a loyal workforce, the acceleration of digitalisation underpins our ambition to be the favourite deliverer in the Benelux region.

OUR ROLE. PostNL's IT strategy, the speed of digitalisation, 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.

The appointment of Bart Delmulle was also discussed with the Supervisory Board, and several members of the Supervisory Board have met Bart prior to his appointment. Given the importance of digitalisation for PostNL, the members of the Supervisory Board also participate in the Digital Next Academy programme set up by PostNL.

Sustainability

We believe sustainability is our license to operate. As such we continue to invest in activities that make our business more environmentally sustainable. We have identified Sustainable Development Goals (SDGs) which we consider most relevant for PostNL and which are outlined in the Business Report of this Annual Report. PostNL has set ambitious goals of emission-free delivery in 25 Dutch city centres by 2025, and emission-free last-mile delivery across the Benelux by 2030. Highlighting PostNL's commitment to being a sustainable e-commerce logistics provider, we announced the successful offering of our first Green Bond in September 2019 and issued our first Green Bond Report in September 2020. During 2020, PostNL was recognised as one of the world's most sustainable companies within the logistics and transport sector, ranking third on the Dow Jones Sustainability Index (DJSI), and received recognition for leadership in sustainable entrepreneurship from the international not-for-profit environmental charity CDP (formerly the Carbon Disclosure Project) in the form of a listing on the prestigious A List for reducing CO2 emissions and mitigating climate change.

OUR ROLE. The Supervisory Board acknowledges the importance of sustainability and fully supports the commitment to being a sustainable e-commerce logistics provider, and the steps towards becoming this, including the goals set by the company. These have been items of discussion with the Board of Management and senior management, including the underlying plans in reaching those goals.

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. The 2019 annual results, the 2020 quarterly and half-yearly results and the 2021 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 the new proposed - and

adopted - remuneration policies for the Board of Management and Supervisory Board. Furthermore, the Supervisory Board discussed potential acquisitions and divestments, the preparation of the AGM and the 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. 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 2019 auditor's report by PostNL's external auditor EY and the 2019 Annual Report (including Financial Statements and Non-Financial Performance Statements) were discussed. For 2020 EY reported that the main areas of risk (Key audit matters) are valuation of Mail investment, terminal due position and the sale-and-lease-back transaction completed in November 2020. Compared to the key audit matters identified in 2019, the acquisition of Sandd and discontinued operations are no longer included as key audit matters in light of the completion of the integration of Sandd and the divestments of Postcon and Nexive including the recoverability of the deferred tax assets and the valuation of the related earnout of Postcon. 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. A Covid-19 communication protocol was prepared between PostNL and EY for the year-end closing period, which led to a clear top down working structure.

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 as potential new Supervisory Board members. More details about the Supervisory Board can be found in the 'Corporate governance' chapter.

During 2020, 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. This meant that informal sessions as mentioned in the 2019 annual report between the Supervisory Board and Board of Management were only held digitally. 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 2020. All meetings were also attended by the full Board of Management, apart from the agenda item Supervisory Board only. One physical meeting was held in February at PostNL's head office in The Hague, and the strategy meeting in June between the Supervisory Board, Board of Management and Executive Committee was held at a location not related to PostNL, with due observance of the Covid-19 measures.

The individual attendance and overall attendance percentages per meeting can be found in the table below.

Meetings of the committees of the Supervisory Board

Audit Committee

The Audit Committee met once in person (in February) and had four digital meetings in 2020. 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 2020, the Audit Committee discussed PostNL's full-year 2019 results, the outlook for 2020, the 2020 first-quarter, half-year and third-quarter results and the related press releases, and the 2021 budget, in conjunction with the impact of Covid-19 on people and operations and uncertainty in this regard going forward. 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 2019 Annual Report and the preparation of PostNL's 2020 Annual Report.

The main financial factors influencing the strategic plan and PostNL's financial performance, including volume developments, pricing, cost savings, competition, regulatory developments, economic developments, pensions, and employee conditions were discussed. The Audit Committee also discussed the sale-and-lease-back transaction, the agreement with the Pension Fund PostNL and PostNL's pension obligations, the (impact of) divestments of Nexive, Spotta, Adeptiv and Cendris and acceleration of the digitalisation of our company, the plan for improvement of working capital and subsequent results, consolidation of networks, the Parcels' strategy, (interim) dividend and dividend policy, and the relevant 2020 tax matters, including matters such as transparency, tax planning, and tax risk management. Cyber security and IT 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 2020.

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 the year 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 and internal audit functions over 2019, were also discussed.

Nomination Committee

The Nomination Committee met once in person (in February) and had four digital meetings in 2020. The Nomination Committee discussed the selection and nomination of new members 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. 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.

Remuneration Committee

In 2020, the Remuneration Committee met once in person (in February) and had four 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 2020 AGM. The Remuneration Committee extensively discussed the implementation of the shareholders rights directive into Dutch legislation and the impact thereof on the remuneration policy for the Board of Management and Supervisory Board and on the remuneration report. During 2019 a road show was held together with the Director of HR and the Director Investor Relations with investors and other stakeholders to discuss the new proposed remuneration policies for the Board of Management and Supervisory Board, ultimately leading to the adoption of such policies during the AGM in 2020. In December

PostNL Attendance Supervisory Board members

2020

Name	Supervisory Board (physical meetings only)	Supervisory Board (incl. calls and digital meetings)	Audit Committee	Nomination Committee	Remuneration Committee
Jan Nooitgedagt ¹	2/2	16/16	-	5/5	5/5
Eelco Blok	2/2	16/16	5/5	-	5/5
Jeroen Hoencamp ²	1/1	8/9	-	1/3	-
Agnes Jongerius ³	2/2	14/16	-	2/2	3/3
Marike van Lier Lels ⁴	2/2	15/16	5/5	3/3	-
Ad Melkert ²	1/1	9/9	4/4	-	3/3
Thessa Menssen	2/2	15/16	5/5	5/5	-
Overall attendance rate	100%	95%	100%	89%	100%

1 Jan Nooitgedagt also attended meetings of the Audit Committee as observer.

2 Jeroen Hoencamp and Ad Melkert were appointed as members of the Supervisory Board as per 14 April 2020, only meetings during their tenure are taken into account.

3 Agnes Jongerius became member of the Remuneration Committee and no longer was a member of the Nomination Committee as per 14 April 2020.

4 Marike van Lier Lels became member of the Nomination Committee as per 14 April 2020.

2020, feedback was again requested from such investors in relation to their view on the Remuneration Report as included in the annual report 2019. 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 2020, and provides further insight into the remuneration policies as adopted at the AGM in 2020.

Evaluation of the Supervisory Board

The Supervisory Board is responsible for the quality of its own performance. As such, the Supervisory Board discusses its functioning and that of its committees and members annually. For 2020, the Supervisory Board performed an internal evaluation. The evaluation process consisted of input from the Supervisory Board members on specific subjects, followed by a discussion on the input received by the Supervisory Board only in the December 2020 meeting of the Supervisory Board.

The subjects of discussion were on each members' perceived ability to exercise their role in terms of feeling safe, feeling respected and being able to contribute, on what went well in 2020 and on what could be done differently in 2021. 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. This has helped in the development as a Supervisory Board, where 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. In this regard, the Supervisory Board recognises the enormous achievements by the Board of Management in managing the company 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 and having more market insights available for an outside view to benchmark our own internal insights. But also 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. The outcome of the evaluation has been discussed with the Board of Management, including suggestions for agenda items for 2021 brought forward by the Supervisory Board, and will be followed up in the coming year.

Concluding remarks

2020 was an unprecedented year. The achievement of the Board of Management, Executive Committee, and all of the other PostNL employees worldwide, has been huge despite the year's 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. Throughout the year, PostNL has played a central role in the Covid-19 pandemic, which is something to be proud of.

We want to take this opportunity to reiterate our appreciation for the contributions by former Supervisory Board members Frank Rövekamp and Jacques Wallage. We also want to thank the current Board of Management, Executive Committee, and all of the other PostNL employees worldwide for their continued drive and great work throughout the year. We look forward to 2021.

The Hague, the Netherlands, 1 March 2021

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 2020

Remuneration Committee

The Remuneration Committee consists of:

- Chairman: Ad Melkert (as per 15 April 2020)
- Chairman: Jacques Wallage (stepped-down as per 14 April 2020)
- Member: Eelco Blok
- Member: Jan Nooitgedagt
- Member: Agnes Jongerius

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.

102

Message from Ad Melkert

Dear reader,

On behalf of the Supervisory Board, I am pleased to present our 2020 remuneration report. This report includes an overview of the implementation of the remuneration policies in 2020.

Since a final set of EU guidelines on the standardised presentation of the remuneration report is not yet available, the 2020 remuneration report has been drafted in the spirit of the draft guidelines, in line with the 2019 remuneration report. We intend to update our report where necessary once the final EU guidelines have been published.

The 2020 remuneration report will be subject to an advisory vote at our AGM on 20 April 2021. During last year's AGM, 99.29% of the shareholders voted for the 2019 remuneration report. In preparation for the 2020 remuneration report, we consulted (representing bodies of) several external stakeholders and have taken their feedback into account, resulting in a strengthened link between PostNL's business performance and remuneration outcomes.

Highlights of 2020

The year 2020 is marked by the Covid-19 pandemic. For society at large as well as PostNL, 2020 qualifies as an exceptional year under unprecedented circumstances.

Thanks to the hard work of PostNL's people and the resilience of the business, PostNL was able to play a vital role in society. At all times, PostNL put health and safety of their people, customers, consumers and partners first, while ensuring business continuity.

Given these unprecedented times, taking into account the power of the Supervisory Board to adjust the value of variable remuneration on grounds of reasonableness and fairness and the guiding principle 'Alignment' in the remuneration policy, we conducted an assessment on the impact of Covid-19 on remuneration components of the Board of Management from a multi-stakeholder perspective. Thereby the impact on stakeholders including employees, customers, consumers, shareholders, partners, government and the Dutch society at large was reviewed against the possible Board of Management's remuneration outcomes. This assessment did not result in the use of the Supervisory Board's power to adjust in either direction the variable remuneration outcomes. Furthermore, since both short-term and long-term incentive plans do not contain a stretch opportunity, demonstrated outperformance on multiple performance measures did not lead to higher than target payout ratios.

Whilst PostNL adapted to the impact of Covid-19, it continued to execute its strategy to capture growth, deliver value and adjust its portfolio. In 2020 PostNL divested Nexive, Spotta, Adeptiv and Cendris and took a minority stake in CB Healthcare. Furthermore, PostNL conducted three collective labour agreements with the trade unions, concluded a sale-and-leaseback agreement for five sorting centre locations in the Netherlands and agreed on determination and conditions of the final payment for transitional plans with Pension Fund PostNL.

Financial performance

2020 was an exceptional year. With a profitability of €245 million and a cash generation of €186 million, PostNL strongly outperformed previous guidance and target levels. This was the result of strong business performance at Parcels, Mail in the Netherlands and Spring.

Regarding the long-term incentive (originating from the previous remuneration policy), PostNL's cumulative underlying net cash income of €440 million came in at the top-end of the maximum threshold, while cost savings remained below the minimum threshold due to lower than anticipated cost savings.

Non-financial performance

Employee engagement increased from 79.8% in October 2019 to 83.6% in October 2020, and exceeded target level. The company has demonstrated its ability to adapt with speed to frequently changing circumstances and this was highly appreciated by the employees.

PostNL also achieved a sharp uplift in customer satisfaction.

The share of highly satisfied customers, measured twice a year, increased from 27% in 2019 to 37% in 2020. The improvement that was made on these important performance measures indicates that PostNL has made progress with the strategic focus on customer experience and becoming the favourite deliverer.

Delivery quality at Parcels remained high throughout the year and exceeded target level. At Mail in The Netherlands, PostNL delivered in excess of 94% of consumer mail by the next delivery day, a fraction below the 95% delivery target. This was impacted by the measures taken to cope with the pandemic.

We are very pleased with the progress made with respect to growth initiatives. PostNL's adaptability, reliability and resilience were demonstrated in 2020. At the same time, within all business lines, new growth paths were pursued, especially in health, marketplaces and digital initiatives, to speed up and realise growth.

Remuneration Supervisory Board

In line with PostNL's remuneration policy as adopted by the AGM in 2020, the Supervisory Board members are entitled to a Board fee and one or more Committee fee(s). Remuneration levels for the Supervisory Board remained stable compared to 2019.

Decisions made in 2020

In 2020, the AGM adopted the new remuneration policy of the Board of Management with a 98.98% (binding) vote and the new remuneration policy of the Supervisory Board with a 95.25% (binding) vote.

It was furthermore decided to index the base salary of the Board of Management for the first time since 2013, in line with the framework as defined in the remuneration policy.

Additionally, the financial targets regarding the running long-term incentive plans have been adjusted for the impact of the acquisition of Sandd.

Looking forward to 2021

We intend to update our 2021 remuneration report in line with the final EU guidelines, taking into account the advisory vote of shareholders regarding this remuneration report on 2020.

Due to the continued unprecedented circumstances, visibility going forward remains limited. We remain vigilant and continue to closely monitor these developments.

The Hague, the Netherlands, 1 March 2021

On behalf of the Remuneration Committee,
Ad Melkert, Chairman

2020 actual remuneration

The following section provides insight in how our remuneration policy was implemented in 2020 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 of the 'Consolidated financial statements'.

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 include a minimum scenario (0%) and a maximum scenario (100%), respecting contractual agreements, the Supervisory Board deems the remuneration levels to be appropriate. Hence, no further measures are required in this regard.

Implementation of the remuneration policies

In 2020, 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 running long-term incentive plans) and 2020.

Decision making process

No deviations took place from the decision-making process for the implementation of the remuneration policies.

Temporary deviations from the remuneration policies

No temporary deviations took place from the remuneration policies.

Remuneration grant by subsidiaries or other companies

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.

Severance payments

No severance payments were granted to members of the Board of Management or the Supervisory Board.

Claw-back variable remuneration

No variable remuneration has been clawed-back.

Total remuneration of the Board of Management

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

Furthermore, we take the internal perspective into account in the implementation of the remuneration policy in order to ensure internal alignment with the remuneration of our employees. In 2020, 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 2020. The ratio between the annual total remuneration of the CFO and the average annual total remuneration of an employee was 17.9 for 2020. 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 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 2020 compared to 2019 in line with the remuneration policy.

The total remuneration of the Board of Management in 2020 (and 2019) is outlined in the following table:

PostNL Remuneration Board of Management in €

2019, 2020

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	2020	640,625	181,760	41,675	216,211	60,065	1,140,336	76%-24%
- CEO	2019	625,000	185,135	46,614	140,625	107,742	1,105,116	78%-22%
Pim Berendsen	2020	486,875	114,341	32,918	164,320	27,287	825,741	77%-23%
- CFO	2019	475,000	115,002	44,566	106,875	47,293	788,736	80%-20%

1 Base salaries 2020 were indexed with 2.5%.

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.

PostNL Short-term Incentive

2020

Name of Director - position	Performance measure	Link to strategic objective	Relative weight of performance measure	Minimum threshold of performance measure	Actual remuneration	
					Actual performance	(% of base salary)
Herna Verhagen - CEO	Profitability	Deliver profitable growth and	30%	€124m	€245m	11.25%
	Cash generation	generate sustainable cash flow	30%	€(296)m	€186m	11.25%
Pim Berendsen - CFO	Total Financial performance measures					22.50%
	Employee engagement	Attract and retain motivated people	10%	76.0%	83.6%	3.75%
	Customer satisfaction	Help customers grow their business	10%	29.0%	37.0%	3.75%
	Quality Mail	Secure a sustainable mail business	10%	95.0%	94.3%	0%
	Quality Parcels	Help customers grow their business	10%	98.0%	98.6%	3.75%
Total Non-financial performance measures					11.25%	
Total					33.75%	

Short-term Incentive (STI) 2020

STI payout for the Board of Management is based on actual performance (against the 2020 targets on each of the performance measures) as assessed by the Remuneration Committee and summarised in the table above.

More detailed information regarding the STI performance is included in the message from the Committee chairman.

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 below.

More detailed information regarding the LTI performance is included in the message from the Committee chairman.

Long-term Incentive (LTI) 2020

The LTI 2020 was granted in 2018 and as such, originates from the previous remuneration policy as adopted by the AGM in 2013.

PostNL Long-term Incentive

2018-2020

Name of Director - position	Performance measure	Link to strategic objective	Relative weight of performance measure	Minimum threshold of performance measure	Maximum threshold of performance measure	Actual performance	Actual remuneration (% of base salary)
Herna Verhagen - CEO	Underlying net cash income	Deliver profitable growth and generate sustainable cash flow	33.33%	€374m	€454m	€440m	11.875%
Pim Berendsen - CFO	Cost savings New growth initiatives	Help customers grow their business	33.33%	€174m	€230m	€124m Very Good	0% 12.500%
Total							24.375%

The applicable number of performance shares will vest in 2021 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 (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 2021 at €2.8537 (2019: €2.0208). 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 below.

PostNL Shares (market value) in €

Name of Director - position	Specification of plan	Value of shares held at 1 Jan 2020 ¹	Value of shares granted during 2020 ²	Value of shares settled during 2020	Value of shares forfeited during 2020	Value of net shares under a holding period at 31 Dec 2020	Value of shares subject to a performance condition at 31 Dec 2020
Herna Verhagen - CEO	PSP 2020		461,968				461,968
	PSP 2019	301,742					301,742
	PSP 2018	244,539					244,539
	PSP 2017	180,211		(60,065)	(120,146)	30,332	
	PSP 2016	73,411				73,411	
	PSP 2015	78,257					
	Total		878,161	461,968	(60,065)	(120,146)	103,743
Pim Berendsen - CFO	PSP 2020		351,096				351,096
	PSP 2019	229,326					229,326
	PSP 2018	185,850					185,850
	PSP 2017	81,867		(27,287)	(54,580)	³	
	Total		497,043	351,096	(27,287)	(54,580)	
Total market value		1,375,204	813,065	(87,352)	(174,726)	103,743	1,774,522

1 The shares of PSP 2017 held by Pim Berendsen 2017 reflect the number of shares that were granted in his duty as member of the Executive Committee.

2 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 2020 results (€1.4478).

3 The shares of PSP 2017 were granted to Pim Berendsen in his duty as member of the Executive Committee and are not subject to a holding period.

PostNL Shares held by Board of Management in shares

2019, 2020

Board of Management		31 Dec 2019	31 Dec 2020
Herna Verhagen - CEO	Conditional shares	254,579	353,313
	Unconditional shares under a holding period	82,578	36,354
	Unconditional shares not subject to a holding period	190,987	247,840
		528,144	637,507
Pim Berendsen - CFO	Conditional shares	174,175	268,519
	Unconditional shares under a holding period		
	Unconditional shares not subject to a holding period	46,142	50,970
		220,317	319,489

Shares held by the Board of Management

The conditional shares, unconditional shares under a holding period and unconditional shares not subject to a holding period are presented in the table above.

Share ownership

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, starting as from 2020 for the current Board of Management members.

The table below provides an overview of the shares held at year end 2020 by the CEO and CFO as percentage of their annual base salary.

PostNL Share ownership as percentage of the base salary in %

2020

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

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.

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'.

Information on the change of remuneration and company performance

The table below 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.

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 2020 and 17.9 for the CFO in 2020. The average remuneration per FTE in 2019 decreased due to the acquisition of Sandd. The table below shows the ratio development over the last 5 years.

PostNL Performance/remuneration/internal pay ratio

(IFRS based)

		2016	2017	2018	2019	2020
Profitability ¹	in € million	Not Reported	Not Reported	206	135	245
	Delta in %				(34%)	81%
Earnings attributable to shareholders ²	in € million	Not Reported	Not Reported	182	83	197
	Delta in %				(54%)	137%
Revenue PostNL	in € million	2,723	2,725	2,772	2,844	3,255
	Delta in %		0%	2%	3%	14%
Total remuneration CEO	in €	1,406,648	1,127,609	1,204,669	1,095,078	1,236,376
	Delta in %		(20%)	7%	(9%)	13%
Total remuneration CFO	in €	1,020,880	822,655	1,020,581 ³	831,273	926,719
	Delta in %		(19%)	24%	(19%)	11%
Average remuneration per FTE ⁴	in €	46,292	45,939	48,998	44,108	51,861
	Delta in %		(1%)	7%	(10%)	18%
Internal pay ratio						
CEO ⁵		30.4	24.5	24.6	24.8	23.8
CFO ³		22.1	17.9	20.8	18.8	17.9

1 Profitability is equal to normalised EBIT (see chapter 10 Financial value).

2 Earnings attributable to shareholders is equal to normalised comprehensive income (see chapter 10 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) divided by the average number of FTE's minus two as reported in the chapter 'Financial Statements' of the relevant years.

5 Herna Verhagen was CEO over the presented years.

108

Total remuneration of the Supervisory Board in 2020

The total remuneration of the Supervisory Board in 2020 (per individual member) and 2019 (as a total) is presented in the table below:

PostNL Total remuneration Supervisory Board in €

2019, 2020

Supervisory Board member	Board fee	Committee fees			Total fees
		Nomination	Remuneration	Audit	
Jan Nooitgedagt	55,000	7,500	5,000		67,500
Eelco Blok	40,000		5,000	5,625	50,625
Agnes Jongerius	40,000	1,444	5,000		46,444
Marika van Lier Lels	40,000	3,556		7,500	51,056
Thessa Menssen	40,000	5,000		10,000	55,000
Ad Melkert ¹	28,444		5,333	5,333	39,110
Jeroen Hoencamp ²	28,444	3,556		4,090	36,090
Total current members	271,888	21,056	20,333	32,548	345,825
Jacques Wallage ³	11,556	1,444	2,167	1,875	17,042
Frank Rövekamp ⁴	11,556	1,444			13,000
Total 2020	295,000	23,944	22,500	34,423	375,867
Total 2019	313,242	32,000	28,000	30,500	403,742

1 Ad Melkert was appointed as per 15 April 2020

2 Jeroen Hoencamp was appointed as per 15 April 2020

3 Jacques Wallage stepped down as per 14 April 2020

4 Frank Rövekamp stepped down as per 14 April 2020

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 total 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 following table.

PostNL Five year overview total remuneration Supervisory Board in €

2016-2020

Supervisory Board member	2016	2017	2018	2019	2020
Jan Nooitgedagt			43,736	68,500	67,500
Eelco Blok	23,000	49,000	53,000	55,000	50,625
Agnes Jongerius	51,500	51,500	45,500	46,000	46,444
Marika van Lier Lels				34,242	51,056
Thessa Menssen	56,500	58,500	49,500	58,500	55,000
Ad Melkert					39,110
Jeroen Hoencamp					36,090
Total current members	131,000	159,000	191,736	262,242	345,825
Marc Engel	52,000	51,000	54,000	40,500	
Michiel Boersma	60,625	16,042			
Piet Klaver	19,042				
Jacques Wallage	47,500	66,750	57,547	55,000	17,042
Frank Rövekamp	51,500	52,000	44,500	46,000	13,000
Total former members	230,667	185,792	156,047	141,500	30,042
Total remuneration	361,667	344,792	347,783	403,742	375,867

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

110

The Board of Management and its duties

The Board of Management manages PostNL. It is collectively responsible for setting and implementing - and 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 as per 1 February 2021 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 2020, 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 2020, the Executive Committee consisted of the following seven members:

- Herna Verhagen (CEO and chairman)
- Pim Berendsen (CFO)
- Liesbeth Kaashoek, responsible for Parcels
- 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.

During 2020 no changes occurred in the composition of the Board of Management and Executive Committee. As per 1 February 2021, the Executive Committee is expanded with a Chief Digital Officer, Bart Delmulle.

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 14 April 2020, the shareholders appointed Jeroen Hoencamp and Ad Melkert as members of the Supervisory Board for a period of four years, replacing Frank Rövekamp and Jacques Wallage respectively.

At year-end 2020, the Supervisory Board consisted of seven 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); Eelco Blok; Thessa Menssen (chair of the Audit Committee); Agnes Jongerius; Jeroen Hoencamp; and Ad Melkert (chair of the Remuneration Committee).

At the Annual General Meeting of Shareholders in April 2021, Thessa Menssen and Eelco Blok will not be available for reappointment as Supervisory Board member. The Supervisory Board has nominated Koos Timmermans and Nienke Meijer for appointment as Supervisory Board members for a period of four years. Agnes Jongerius will be available for reappointment as Supervisory Board member for a period of two years.

The following table provides an overview of the composition of the Supervisory Board committees per year-end 2020.

PostNL Composition of Supervisory Board committees

2020

Committee	Audit	Remuneration	Nomination
Chair	Thessa Menssen	Ad Melkert	Jan Nooitgedagt
Member	Eelco Blok	Eelco Blok	Marike van Lier Lels
Member	Marike van Lier Lels	Agnes Jongerius	Thessa Menssen
Member	Ad Melkert	Jan Nooitgedagt	Jeroen Hoencamp

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 seven members. 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, 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 2020 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 2020, there were no cases whereby conflict 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

2019, 2020

	31 Dec 2019	31 Dec 2020 ¹
Board of Management		
Herna Verhagen	273,565	284,194
Pim Berendsen	46,142	50,970

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 2020 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 per year end 2020 had seven members, of which three are female, i.e. 42.9% of the seats filled by women. As per 1 February 2021 the Executive Committee consists of eight members, of which three are 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 seven members, of which three are women, i.e. 42.9% of the seats filled by women. Consequently, the Board of Management, the Executive Committee and Supervisory Board have 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 2020, Jeroen Hoencamp and Ad Melkert were appointed as members of the Supervisory Board, replacing Frank Rövekamp and Jacques Wallage respectively. The composition of the Board of Management and Executive Committee remained unchanged in 2020.

On 6 November 2020 new Dutch legislation was submitted 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. PostNL will await such new legislation and will incorporate ambitious and appropriate target numbers in a new diversity policy in 2021. In this regard PostNL already adheres to the binding quota for the Supervisory Board.

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 2020

On 14 April 2020, PostNL held its Annual General Meeting of Shareholders in The Hague, the Netherlands. The attendance rate was 26.4% 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 2019
- The adoption of the remuneration policy of the Board of Management
- The adoption of the remuneration policy of the Supervisory Board
- The adoption of the 2019 financial statements
- The appropriation of profit over the financial year 2019
- The release of the Board of Management and Supervisory Board from liability for the performance of their respective duties during the financial year 2019
- The amendment of the articles of association of PostNL N.V.
- The appointment of Ad Melkert and Jeroen Hoencamp as members of the Supervisory Board
- Designation of the Board of Management to issue ordinary shares until 14 October 2021 (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 14 October 2021 (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 14 October 2021 (limited to 10% of

the issued capital at the time of the Annual General Meeting of Shareholders in 2020)

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 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 2019 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 2020, the members of the Board of Foundation Continuity PostNL were Mr J.H.M. Lindenberg (chair), Mr W. van Vonno, Mr M.P. Nieuwe Weme and Ms Y.C.M.T. van Rooy. 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 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 16 April 2019 Ernst & Young Accountants LLP was reappointed as external auditor for PostNL for another 2 years, that is for the financial years 2019 and 2020. Ms S.D.J. Overbeek - Goeseije shall remain the lead audit partner.

At the Annual General Meeting of Shareholders to be held in April 2021, PostNL proposes to reappoint Ernst & Young Accountants LLP as external auditor for PostNL for another year, that is for the financial year 2021, with Ms S.D.J. Overbeek - Goeseije remaining as the lead audit partner. For the financial years 2022, 2023 and 2024, PostNL proposes to appoint KPMG Accountants NV as the external auditor for PostNL.

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.

General

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 are adhered to.

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 (such as IFRS). 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 pro-actively disclose issues and the Dutch tax authorities deal with such issues in an efficient and constructive way. 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 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 foreseen to remain important for the coming years, Group Tax has increasing attention for 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.

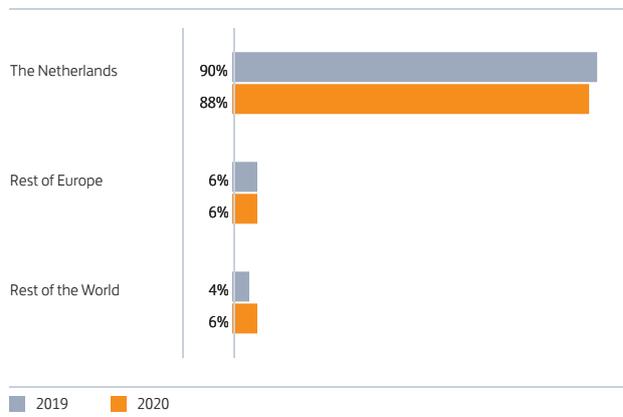
Tax payments in more detail

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 & sales tax (borne and collected) and wage tax & social security contributions (borne and collected) are the most material ones. In 2020, we paid €448 million (2019: €478 million) in tax. A breakdown of these by type and region is shown in the charts below. Our revenue breakdown is included for comparison.

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 2020, 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.

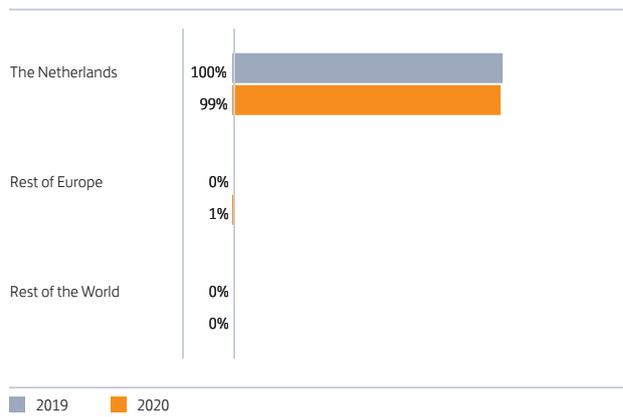
PostNL Revenue by region

2019, 2020



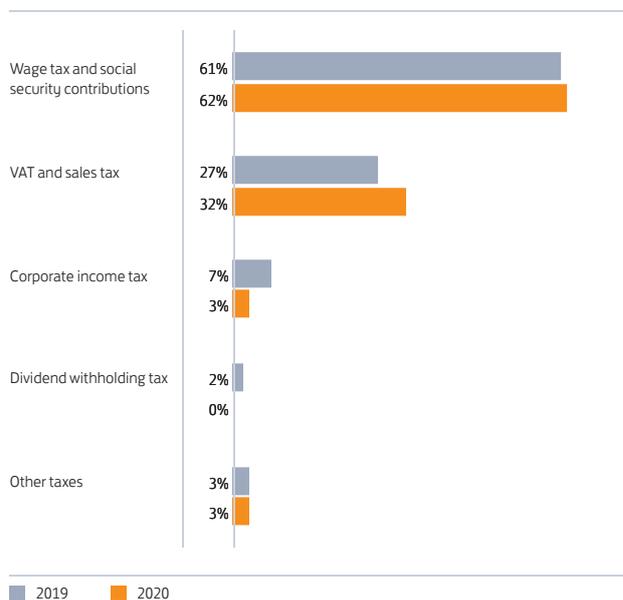
PostNL Total taxes by region

2019, 2020



PostNL Total taxes by type

2019, 2020



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.

In 2020, 1,427 million PostNL shares were traded on Euronext Amsterdam (2019: 1,378 million). The average daily number of shares traded was 5.5 million (2019: 5.3 million). The market capitalisation of PostNL was €1,381 million at the end of 2020 (2019: €946 million).

PostNL Relative performance PostNL compared to AMX-index 2020



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 494,991,389 on 31 December 2020 (2019: 493,952,586 shares). All shares in issue are fully paid. In 2020, 1,038,803 shares were issued for the share plan for

employees (2019: 852,661). No preference shares B were issued and outstanding. For more information on PostNL's equity, see note 4.6 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. Our substantial shareholders are listed in the table below.

PostNL Overview of substantial shareholders and their relative ownership (> 3%)

31 December 2020

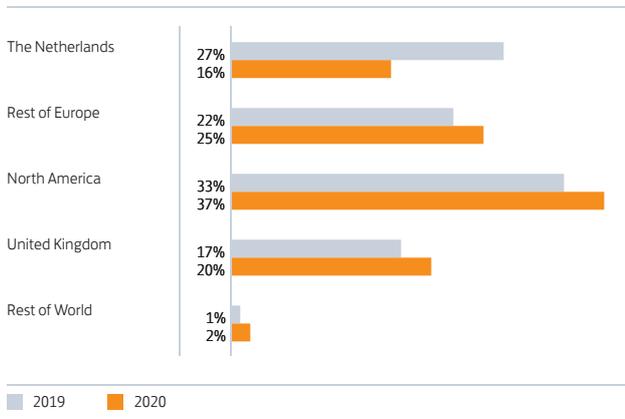
Date of notification	Company	(Indirect and/or potential) Holding	(indirect and/or potential) voting rights
15 June 2020	Norges Bank	3.50%	3.50%
29 November 2019	Edinburgh Partners	4.17%	4.17%
12 November 2015	J.H.H. de Mol	5.04%	5.04%

Shareholder base

The distribution of our shares between retail (15%) and institutional shareholders (85%) did not change compared to 2019. PostNL has a broad base of international shareholders.

PostNL Institutional shareholders by region

2019, 2020 (in %)



Bonds and credit rating

PostNL currently has two Eurobonds outstanding, 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 first Green Bond Report on 23 September 2020.

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 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 2020, 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 2020 and interim reports, please visit PostNL's website.

Dividend

In accordance with our dividend policy, adopted at 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 prior year.

124

In financing the transaction with Sandd in 2019 and the additional integration costs, PostNL expected to temporarily exceed the leverage ratio target. In line with its dividend policy, PostNL did not pay dividend during the integration period and as long as the leverage ratio exceeded ~2. PostNL aimed to reduce the leverage ratio below the 2.0x target in 12 to maximum 24 months and to resume paying dividends thereafter.

Due to the strong financial performance in 2020 and the strengthening of the financial position, the leverage ratio at the end of 2020 amounted to 1.0x. This allows PostNL, earlier than anticipated, to propose a dividend of €0.28 per ordinary share for 2020 (2019: €0.08), based on normalised comprehensive income of €197 million for 2020 and a pay-out ratio of 70%, to be fully paid as a final dividend. This will be proposed to the Annual General Meeting of Shareholders to be held on 20 April 2021.

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.

Important dates in 2021

PostNL Financial calendar

2021

1 March	Results fourth quarter and full year 2020
20 April	Annual General Meeting of Shareholders
10 May	Results first quarter 2021
9 August	Results second quarter and half year 2021
8 November	Results third quarter 2021

PostNL Dividend calendar

2021

Final dividend

22 April	Ex-dividend date
23 April	Record date
26 April	Start election period
11 May	End election period
14 May	Payment date

Interim dividend

11 August	Ex-dividend date
12 August	Record date
13 August	Start election period
27 August	End election period
31 August	Payment date

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Statements of the Board of Management

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.

126

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 'Risk and opportunity management' chapter. 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 2020. The outcome of these reviews and 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 2020, PostNL implemented material organisational and IT changes and improvements. The integration of the PostNL and Sandd postal networks and the divestment of Nexive and Spotta have been completed in the first half of 2020. In the second half of the year PostNL completed the transaction of sale-and-leaseback of five sorting locations in The Netherlands. No material failings in PostNL's risk management internal control, integrity and compliance systems were reported. Other than those described in the 'Risk and opportunity management' chapter 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 'Risk and opportunity management' chapter, 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 2020 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 an ongoing 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 'Risk and opportunity management' chapter, the 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 2020 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, 1 March 2021

The Board of Management

Performance statements

Financial statements	129
Non-financial statements	213
Other information	237

20 Financial statements

129

Consolidated primary statements	130
Basis of preparation	137
Result for the year	141
Operating assets and liabilities	154
Capital structure and financing costs	179
Other notes	190
Corporate primary statements	197
Corporate financial statements	201

Consolidated primary statements

PostNL Consolidated income statement in € million

2019, 2020

Year ended at 31 December	Notes	2019	2020
Revenue from contracts with customers	2.1.1	2,829	3,239
Other operating revenue		15	16
Total operating revenue		2,844	3,255
Other income	2.1.2	12	66
Cost of materials		(67)	(63)
Work contracted out and other external expenses	2.1.3	(1,330)	(1,524)
Salaries, pensions and social security contributions	2.1.4	(1,059)	(1,159)
Depreciation, amortisation and impairments	2.1.5	(180)	(164)
Other operating expenses	2.1.6	(101)	(119)
Total operating expenses		(2,737)	(3,028)
Operating income		119	293
Interest and similar income		3	2
Interest and similar expenses		(19)	(18)
Net financial income/(expense)	2.2.1	(16)	(16)
Results from investments in JVs/associates	3.7	0	0
Profit/(loss) before income taxes		103	277
Income taxes	2.2.2	(31)	(68)
Profit/(loss) from continuing operations		72	209
Profit/(loss) from discontinued operations	3.9	(68)	4
Profit for the year		4	213
Attributable to:			
Non-controlling interests		0	(0)
Equity holders of the parent		4	213

PostNL Earnings per share in € cents

2019, 2020

		2019	2020
Earnings per ordinary share ¹	2.2.3	0.8	43.0
Earnings per diluted ordinary share ²	2.2.3	0.8	43.0
Earnings from continuing operations per ordinary share ¹		14.9	42.3
Earnings from continuing operations per diluted ordinary share ²		14.9	42.2
Earnings from discontinued operations per ordinary share ¹		(14.1)	0.7
Earnings from discontinued operations per diluted ordinary share ²		(14.1)	0.7

1 Earnings per ordinary share are in 2020 based on an average of 494,633,768 outstanding ordinary shares (2019: 482,577,917).

2 Earnings per diluted ordinary share are in 2020 based on an average of 495,627,753 ordinary shares on a fully diluted basis in the year (2019: 483,484,286).

PostNL Consolidated statement of comprehensive income in € million

2019, 2020

Year ended at 31 December	Notes	2019	2020
Profit for the year		4	213
Actuarial gains/(losses) pensions, net of tax	3.5	60	(21)
Pension asset ceiling/minimum funding requirement, net of tax	3.5	(65)	46
Impact tax rate change related to OCI pensions		3	0
Change in value of financial assets at fair value through OCI	4.2	3	(0)
Other comprehensive income that will not be reclassified to the income statement		1	25
Currency translation adjustment, net of tax		0	(1)
Gains/(losses) on cashflow hedges, net of tax		(2)	(0)
Other comprehensive income that may be reclassified to the income statement		(2)	(1)
Total other comprehensive income for the year		(1)	24
Total comprehensive income for the year		3	237
Attributable to:			
Non-controlling interests		0	(0)
Equity holders of the parent		3	237

PostNL Consolidated statement of cash flows in € million

2019, 2020

Year ended at 31 December	Notes	2019	2020
Profit/(loss) before income taxes		103	277
Adjustments for:			
Depreciation, amortisation and impairments		180	164
Share-based payments		1	3
(Profit)/loss on disposal of assets		(7)	(63)
(Profit)/loss on sale of Group companies		(5)	(3)
Interest and similar income		(3)	(2)
Interest and similar expenses		19	18
Results from investments in JVs/associates		0	(0)
Investment income		4	(50)
Pension liabilities		(25)	(166)
Other provisions		30	(29)
Changes in provisions		5	(195)
Inventory		0	1
Trade accounts receivable		55	(78)
Other accounts receivable		(19)	20
Other current assets		(18)	(4)
Trade accounts payable		20	(54)
Other current liabilities excluding short-term financing and taxes		(73)	123
Changes in working capital		(35)	9
Cash generated from operations		258	208
Interest paid		(14)	(15)
Income taxes paid		(34)	(12)
Net cash (used in)/from operating activities	2.3.1	210	181
Interest received		3	2
Acquisition of subsidiaries (net of cash)		(65)	0
Disposal of subsidiaries		3	13
Investments in JVs/associates		(1)	(1)
Disposal of JVs/associates		1	0
Capital expenditure on intangible assets		(32)	(37)
Capital expenditure on property, plant and equipment		(34)	(40)
Proceeds from sale of property, plant and equipment		14	158
Changes in other loans receivable		0	(9)
Other changes in (financial) fixed assets		5	(0)
Net cash (used in)/from investing activities	2.3.2	(106)	85

Year ended at 31 December	Notes	2019	2020
Dividends paid		(71)	0
Changes related to non-controlling interests		0	(1)
Proceeds from long-term borrowings		296	0
Proceeds from short-term borrowings		0	1
Repayments of short-term borrowings		(64)	(1)
Repayments of leases		(62)	(79)
Net cash (used in)/from financing activities	2.3.3	99	(80)
Total change in cash from continuing operations		203	186
Cash and cash equivalents at the beginning of the year		269	480
Cash transfers relating to discontinued operations		8	(15)
Total change in cash from continuing operations		203	186
Cash and cash equivalents at the end of the year		480	651
Total change in cash from discontinued operations	3.9	(3)	(11)

PostNL Consolidated statement of financial position in € million

2019, 2020

	Notes	At 31 December 2019	At 31 December 2020
Assets			
Goodwill		224	208
Other intangible assets		140	132
Intangible fixed assets	3.3	364	339
Land and buildings		272	210
Plant and equipment		119	106
Other equipment		13	10
Construction in progress		10	44
Property, plant and equipment	3.2	414	370
Right-of-use assets	3.4	259	243
Investments in joint ventures/associates	3.7	3	3
Loans receivable	4.1	6	27
Deferred tax assets	3.8	65	10
Financial assets at fair value through OCI	4.2	15	15
Financial fixed assets		89	54
Total non-current assets		1,126	1,007
Inventory		4	3
Trade accounts receivable	3.1.1	271	336
Accounts receivable	3.1.1	51	18
Income tax receivable		1	28
Prepayments and accrued income		114	111
Cash and cash equivalents	4.1	480	651
Total current assets		921	1,148
Assets classified as held for sale	3.9	91	55
Total assets		2,138	2,210

	Notes	At 31 December 2019	At 31 December 2020
Equity and liabilities			
Equity attributable to the equity holders of the parent		(21)	219
Non-controlling interests		3	2
Total equity	2.4	(18)	222
Deferred tax liabilities	3.8	0	23
Provisions for pension liabilities	3.5	283	86
Other provisions	3.6	26	30
Long-term debt	4.1	695	696
Long-term lease liabilities	3.4	201	231
Total non-current liabilities		1,205	1,065
Trade accounts payable		197	141
Other provisions	3.6	53	21
Short-term debt	4.1	1	12
Short-term lease liabilities	3.4	63	63
Other current liabilities	3.1.2	110	145
Income tax payable		9	2
Contract liabilities	3.1.3	67	69
Accrued current liabilities	3.1.4	351	445
Total current liabilities		851	898
Liabilities related to assets classified as held for sale	3.9	100	25
Total equity and liabilities		2,138	2,210

PostNL Consolidated statement of changes in equity in € million

2019, 2020

	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 1 January 2019	38	160	65	(217)	46	3	49
Total comprehensive income			(1)	4	3	0	3
Appropriation of net income			(166)	166	0		0
Final dividend previous year	1	(1)		(48)	(48)		(48)
Interim dividend current year	1	(1)		(23)	(23)		(23)
Share-based compensation		2	(1)		1		1
Balance at 31 December 2019	40	160	(103)	(118)	(21)	3	(18)
Total comprehensive income			24	213	237	(0)	237
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	(508)	527	219	2	222

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 1 March 2021 and are subject to adoption at the Annual General Meeting of Shareholders on 20 April 2021.

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 2020 was positively impacted by the Covid-19 situation. Since the start of the Covid-19 crisis, 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 realised an exceptional performance in the last weeks of the year as more greeting cards and single items were sent during the lockdown. 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 2020.

Classification of Nexive and Postcon as discontinued operations

In line with PostNL's strategy to become the leading logistics and postal service provider in, to and from the Benelux, PostNL has decided to divest Nexive and Postcon. On 3 August 2018, the classification criteria of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations were met. Accordingly, as of Q3 2018, Nexive and Postcon are reported as 'held for sale' and the results and cash flows are reported as 'discontinued operations'. The sale of Postcon was completed on 31 October 2019. The sale of 80% of the activities of Nexive was completed on 1 July 2020. Subsequently, our retained minority interest of 20% in the entity acquiring the Nexive business has been sold to Poste Italiane on 29 January 2021. For further details, see note 3.9 Assets classified as held for sale and note 5.5 Subsequent events.

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 to the court decision. PostNL has also decided to appeal. 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 2020, the balance of cash and cash equivalents amounted to €651 million and the company has an undrawn multi-currency revolving credit facility of €400 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 mandatory 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.

Purchase price allocation in relation to the acquisition of Sandd

Following the acquisition of Sandd in 2019, management needed to allocate the purchase price into the assets and liabilities of the company acquired in the transaction. A purchase price allocation involves judgement in the determination of the average market participant and the

identification of intangible assets. Management needs to make estimates and assumptions in projecting future results and cash flow for the determination of the fair value of the acquired assets and liabilities. For details on the 2019 acquisition of Sandd, see note 5.3 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.

Amendments to IFRS 3: Definition of a Business

The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations.

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 issued by the IASB on 28 May 2020 and applies to annual reporting periods beginning on or after 1 June 2020. 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 2020 that would be expected to have a material impact on the 2020 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 control of the goods or services are transferred 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 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 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 delivery of goods and 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 control is transferred 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

2019, 2020

Year ended at 31 December	2019	2020
Parcels	1,663	2,044
Mail in the Netherlands	1,600	1,702
PostNL Other	81	107
Eliminations	(515)	(614)
Total	2,829	3,239

The increase in revenue mainly related to volume growth within Parcels supported by the impact of Covid-19 and to the acquisition of Sandd in 2019 within Mail in the Netherlands, 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

2019, 2020

Year ended at 31 December	2019	2020
The Netherlands	2,541	2,833
Rest of Europe	158	203
Europe	2,699	3,035
Rest of the World	130	203
Total	2,829	3,239

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 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. The sale-and-leaseback transaction has strengthened the balance sheet and the net proceeds have improved the free cash flow for 2020. Taking into account the long-term lease arrangements related to this transaction, the positive impact on the adjusted net debt position at transaction date amounted to €97 million, improving the leverage ratio.

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

2019, 2020

Year ended at 31 December	2019	2020
Parcels	691	816
Mail in the Netherlands	395	451
PostNL Other	63	72
Work contracted out	1,149	1,338
Rent & lease expenses	16	14
External temporary staff	165	172
Total	1,330	1,524

Costs of work contracted out and other external expenses increased by €194 million in 2020 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

2019, 2020

Year ended at 31 December	2019	2020
Salaries	786	866
Social security charges	127	138
Salaries and social security charges	913	1,005
Defined benefit plans	107	133
Defined contribution plans	12	12
Pension charges	119	145
Net addition to restructuring provisions	26	6
Share-based payments	1	3
Total	1,059	1,159

In 2020, pension charges increased by €26 million, resulting from higher regular defined benefit charges. More detailed information on pensions is included in note 3.5. For the net additions to restructuring provisions reference is made to note 3.6 Other provisions.

PostNL Labour force as indicated

2019, 2020

¹	2019	2020
Headcount		
Parcels	7,027	7,716
Mail in the Netherlands	37,966	31,498
PostNL Other	1,310	1,327
Total at year end	46,303	40,541
External agency staff at year end	6,702	5,995
Full-time equivalents (FTEs)		
Parcels	5,653	6,295
Mail in the Netherlands	17,075	14,803
PostNL Other	1,245	1,206
Total year average	23,973	22,304
External agency staff year average	3,434	1,957

¹ Including temporary personnel on our payroll; the external agency staff are additional.

The total headcount of PostNL decreased by 5,762 employees. Although all Sandd's postal deliverers (11,000 in total) have been offered jobs with PostNL, about 4,000 mail deliverers employed by Sandd have accepted the job offer and started working for PostNL. The remainder chose for the opportunities they have in the labour market and the severance payments offered by Sandd. In addition, over 300 employees working in sorting, as drivers and in other roles have also joined PostNL from Sandd. Within Parcels, growth in parcel volumes led to an increase in headcount. The labour force is also measured in FTEs based on the hours worked divided by the local standard. In 2020, the average number of FTEs decreased by 1,669 FTEs compared to 2019. The average number of employees working in the Netherlands was 21,485 FTEs (2019: 23,315) and outside the Netherlands was 819 FTEs (2019: 658).

2.1.5 Depreciation, amortisation and impairments**PostNL Depreciation, amortisation and impairments** in € million

2019, 2020

Year ended at 31 December	2019	2020
Amortisation of intangible assets	34	37
Impairment of intangible assets	4	6
Depreciation property, plant and equipment	59	49
Impairment of property, plant and equipment	2	
Depreciation right-of-use assets	77	70
Impairment of right-of-use assets		1
Impairment of assets held for sale	4	
Total	180	164

In 2020, depreciation and amortisation include €14 million (2019: €25 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 2020, amortisation of intangible assets related to software for €33 million (2019: €31 million) and other intangibles for €4 million (2019: €3 million). The increase in amortisation of software relate to increased investments in IT projects. 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. In 2019, the impairment of intangible assets of €4 million, recorded within PostNL Other, partly related to software from Stockon.

The decrease in depreciation of property, plant and equipment mainly relates to lower accelerated depreciation of assets from Sandd, the sale of PostNL Communicatie Services and Spotta, the sale-and-leaseback transaction of four mail sorting centres and the international sorting centre and fully depreciated sorting machines within Mail in the Netherlands.

In 2019, the impairment of assets held for sale of €4 million related to a fair value impairment of Spotta, within Mail in the Netherlands, that was classified as held for sale per 31 December 2019. The impairment of property, plant and equipment of €2 million was recorded within Mail in the Netherlands and mainly concerned the impairment of real-estate related assets used by Spotta.

2.1.6 Other operating expenses

The other operating expenses of €119 million (2019: €101 million) consist of IT, communication, office, travel, consulting and training expenses and other shared services costs.

In 2020, total incurred EY audit fees amounted to €2.5 million (2019: €2.6 million).

PostNL Audit fees in € million

2019, 2020

Year ended at 31 December	2019	2020
Audit fees	2.0	2.0
Audit-related fees	0.4	0.5
Tax advisory fees	0.0	0.0
Other non-audit services	0.2	0.0
Total	2.6	2.5

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 €2.1 million (2019: €2.3 million), subdivided into audit services of €1.6 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

2019, 2020

Year ended at 31 December	2019	2020
Interest expenses on long-term borrowings	5	7
Interest on net defined benefit pension liabilities	6	2
Interest on leases	3	4
Other	5	6
Interest and similar expense	19	18
Other interest and similar income	(3)	(2)
Net financial expense/(income)	16	16

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

2019, 2020

Year ended at 31 December	2019	2020
Current tax expense	39	(18)
Changes in deferred taxes	(8)	86
Total income tax expense	31	68
Income taxes paid	34	12

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 2020, the income taxes paid relate mainly to income taxes paid in the Netherlands, Germany and Belgium and include payments and refunds related to prior years. The 2020 difference between the total income taxes (€68 million) and the income taxes paid (€12 million) can mainly be explained by the changes in deferred taxes (€(86) million) and the 2020 movements of the net income tax payable position (€34 million).

PostNL Effective income tax rate in %

2019, 2020

Year ended at 31 December	2019	2020
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	4.0	0.9
Exempt income	(0.2)	(0.4)
Other	1.3	(0.9)
Effective income tax rate	30.1	24.6

The line 'Non and partly deductible costs' mainly relates to the so-called mixed expenses (e.g. meals, entertainment), the non deductible costs relating to the Sandd acquisition and the non deductible treatment of our share based payments. The line 'Exempt income' relates to the non taxable treatment of our results from (former) participations. The line 'Other' consisted in 2020 mainly of the impact of utilisation and recognition of previously unrecognised tax losses in various countries (-1.4%), the impact of tax rate changes in the Netherlands on our deferred tax positions going forward (1.0%), updates of our prior year tax positions in the Netherlands (-0.6%) and several smaller effects (0.1%).

2.2.3 Earnings per ordinary share: 43.0 eurocents (2019: 0.8 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

2019, 2020

Year averages and numbers at 31 December	2019	2020
Number of issued and outstanding ordinary shares	493,952,586	494,991,389
Shares held by the company to cover share plans	0	0
Average number of ordinary shares per year	482,577,917	494,633,768
Diluted number of ordinary shares per year	906,369	993,985
Average number of ordinary shares per year on a fully diluted basis	483,484,286	495,627,753

At 31 December 2020, PostNL had potential obligations under share plans to deliver 993,985 shares (2019: 906,369 shares), calculated based on the share price of €2.79 as at 31 December 2020 (31 December 2019: €2.012).

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 2020, net cash from operating activities of €181 million (2019: €210 million) resulted from €208 million of cash generated from operations (2019: €258 million) reduced by €15 million interest paid (2019: €14 million) and €12 million income tax paid (2019: €34 million).

Cash generated from operations

The decrease in cash generated from operations of €50 million is explained by a lower change in pension liabilities of €141 million and a lower change in other provisions of €59 million, partly offset by €106 million higher profit before income tax adjusted for non-cash items and investment income and a change in working capital of €44 million.

PostNL Cash generated from operations in € million

2019, 2020

Year ended at 31 December	2019	2020
Total profit before tax adjusted for non cash items and investment income	288	394
Pension expense defined benefit plans	107	133
Cash contributions defined benefit plans	(99)	(99)
Payment unconditional funding obligation	(33)	
Final payment transitional plans		(200)
Change in pension liabilities	(25)	(166)
Additions to/releases from provisions	44	15
Withdrawals	(14)	(43)
Change in other provisions	30	(29)
Changes in working capital	(35)	9
Total cash generated from operations	258	208

148

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 higher accruals for terminal dues and expenses to be paid and higher VAT payable, partly offset by higher trade accounts receivable and a reduction of trade payables both within Parcels and Mail in the Netherlands.

Interest paid

The interest paid is explained as follows:

PostNL Interest paid in € million

2019, 2020

Year ended at 31 December	2019	2020
Interest on long-term borrowings	4	6
Interest on leases	5	4
Bank charges and other	5	6
Total	14	15

Income taxes paid

The income taxes paid of €12 million (2019: €34 million) mainly related to income taxes paid in the Netherlands 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

2019, 2020

Year ended at 31 December	2019	2020
Acquisition of subsidiaries (net of cash)	(65)	
Disposal of subsidiaries	3	13
Capital expenditure on intangible assets and property, plant and equipment	(66)	(78)
Proceeds from sale of property, plant and equipment	14	158
Changes in other loans receivable	0	(9)
Other	8	1
Net cash (used in)/from investing activities	(106)	85

Acquisitions

In 2019, cash outflow net of cash for acquisitions related to the acquisition of Sandd (€64 million) and the acquisition of Mostert Verkerk (€1 million). Reference is made to note 5.3 Business combinations.

Disposal of subsidiaries

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 includes an amount of €7 million relating to the sale of PostNL Communicatie Services in 2019, a subsidiary from Mail in the Netherlands. In 2019, an amount of €3 million net cash was received for the sale of PostNL Communicatie Services. The book profit on the sale of PostNL Communicatie Services of €5 million was included in other income in the consolidated income statement.

Capital expenditure on intangible assets and property, plant and equipment

In 2020, capital expenditures on intangible assets of €37 million (2019: €32 million) mostly related to software including prepayments for software. The capital expenditures on property, plant and equipment amounting to €40 million (2019: €34 million) mainly related to the sorting equipment for the small parcel sorting centre within Parcels 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 2020, proceeds from the sale of property, plant and equipment amounted to €158 million (2019: €14 million) and related for €148 million to the sale-and-leaseback transaction of four mail sorting centres and the international sorting centre, net of transaction costs, and for €10 million (2019: €14 million) to the sale of other real estate in the Netherlands. 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 2020, changes in other loans receivable included a new lessor loan of €10 million relating to the lease of a sorting machine by Bol.com.

Other

In 2019, 'Other' includes an amount of €6 million received for the reduction of our stake in Whistl, a financial asset at fair value through OCI. In the consolidated statement of cash flows, the amount is included in 'Other changes in (financial) fixed assets'.

2.3.3 Net cash (used in)/from financing activities

PostNL Net cash financing activities in € million

2019, 2020

Year ended at 31 December	2019	2020
Dividends paid	(71)	
Changes related to non-controlling interests	0	(1)
Net cash from debt financing activities	232	
Repayments of leases	(62)	(79)
Net cash (used in)/from financing activities	99	(80)

In 2020, net cash from financing activities of €(80) million (2019: €99 million) related for €79 million to the repayments of leases (2019: €62 million). In 2019, net cash from financing activities further included the final 2018 and interim 2019 cash dividend paid of €71 million and the proceeds of a new eurobond of €296 million partly offset by the repayment of short-term borrowings of Sandd of €64 million. 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 €(18) million on 31 December 2019 to €222 million on 31 December 2020 is mainly explained by net profit for the year of €213 million and other comprehensive income of €24 million. Other comprehensive income mainly consisted of a positive impact from pensions of €25 million.

Equity attributable to the equity holders of PostNL consisted of the following items:

Issued share capital and Additional paid-in-capital

As at 31 December 2020, issued share capital amounted to €40 million (2019: €40 million) and additional paid-in-capital amounted to €161 million (2019: €160 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.

PostNL Other reserves in € million

2019, 2020

	Currency translation reserve	Hedge reserve	Financial assets at fair value OCI	Other reserves	Total other reserves
Balance at 1 January 2019	0	0	11	54	65
Total comprehensive income	0	(2)	3	(2)	(1)
Appropriation of net income				(166)	(166)
Share-based compensation				(1)	(1)
Balance at 31 December 2019	0	(2)	14	(115)	(103)
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	(514)	(508)

Currency translation reserve

As at 31 December 2020, the translation reserve amounted to €0 million (2019: €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 2020, the hedge reserve amounted to €(2) million (2019: €(2) million). The tax impact on the cash flow hedges included in the hedge reserve as at 31 December 2020 is €0 million (2019: €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 2020, the reserve related to the financial assets at fair value through OCI amounted to €7 million (2019: €14 million). The decrease related for €6 million to a reclassification to the other reserves resulting from the reduction of our stake in Whistl. The increase in 2019 related to the increase in value of the investment in Whistl by €3 million. For more information, see note 4.2 to the consolidated financial statements.

Other reserves

As at 31 December 2020, the other reserves amounted to €(514) million (2019: €(115) million). In 2020, the other reserves decreased by €399 million mainly resulting from the appropriation of net income from 2019 of €(432) million, partly offset by a positive pension effect within other comprehensive income (net of tax) of €25 million. For details on pensions, reference is made to note 3.5.

Retained earnings

As at 31 December 2020, retained earnings amounted to €527 million (2019: €(118) million). In 2020, retained earnings increased by €645 million due to the appropriation of net income from 2019 of €432 million and total profit for the year of €213 million in 2020.

The Board of Management has proposed to make an amount of €139 million out of corporate profit for the year 2020 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 2020 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

2020

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)	
Other operating revenue	9	6	1		16
Total operating revenue	2,052	1,708	108	(614)	3,255
Other income		71	(4)		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	(53)		293
Net financial income/(expense)					(16)
Results from investments in JVs/associates					
Income taxes					(68)
Profit/(loss) from discontinued operations					4
Profit for the year					213
Normalised EBIT	209	96	(60)		245

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

2020

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	(53)	(15)		4	4	(60)
Total 2020	293	0	14	(60)	(2)	245

From operating income to normalised EBIT

In 2020, normalised EBIT totalled €245 million (2019: €135 million). Normalised EBIT excludes exceptional items, which amounted to €(49) million in 2020 (2019: €16 million). In 2020, the terms and conditions of the final payment for transitional plans was agreed upon. At year-end 2020, the segments Parcels, Mail in the Netherlands and PostNL Other recorded the cash settlement costs as expenses. As these payments do not represent IFRS-based pension expenses, PostNL Other records the reverse effect. The normalisation for project costs and other of €(2) million in 2020 related to the divestments of Spotta, Adeptiv and Cendris (€(6) million), regulatory-related advisory costs and Sandd-related transaction and integration costs (€3 million) and the consolidation effect of discontinued operations (€1 million). The increase of €110 million in normalised EBIT comprised higher results in Parcels (€89 million) and Mail in the Netherlands (€44 million), partly offset by a lower result at PostNL Other (€23 million).

The following tables present the reconciliation of the 2019 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

2019

Year ended at 31 December 2019	Parcels	Mail in NL	PostNL Other	Eliminations	Total
Revenue from contracts with customers	1,473	1,356	0		2,829
Intercompany sales	190	244	81	(515)	
Other operating revenue	9	6			15
Total operating revenue	1,672	1,606	81	(515)	2,844
Other income	0	12	0		12
Depreciation/impairment PP&E	(24)	(32)	(5)		(61)
Amortisation/impairment intangibles	(9)	(17)	(12)		(38)
Depreciation/impairment right-of-use assets	(31)	(32)	(14)		(77)
Impairment assets held for sale		(4)			(4)
Total operating income	120	25	(26)		119
Net financial income/(expense)					(16)
Results from investments in JVs/associates					0
Income taxes					(31)
Profit/(loss) from discontinued operations					(68)
Profit for the year					4
Normalised EBIT	120	52	(37)		135

PostNL From operating income to normalised EBIT in € million

2019

Year ended at 31 December	Reported operating income	Payment uncond. funding obligation pensions	Accelerated write-down of Sandd assets	Project costs and other	Normalised EBIT
Parcels	120	2		(2)	120
Mail in NL	25	27	25	(25)	52
PostNL Other	(26)	(29)		18	(37)
Total 2019	119	0	25	(9)	135

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.

154

PostNL Accounts receivable in € million

2019, 2020

At 31 December	2019	2020
Trade accounts receivable - total	285	346
Allowance for expected credit losses	(14)	(10)
Trade accounts receivable	271	336
VAT receivable	11	7
Accounts receivable from associates and joint ventures	0	1
Other accounts receivable	40	11
Accounts receivable	51	18
Total accounts receivable	322	355

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 €285 million on 31 December 2019 to €346 million on 31 December 2020 is mainly explained by higher revenue in 2020. As a result of improved payment performance of debtors the trade accounts receivable past due decreased from €116 million on 31 December 2019 to €89 million on 31 December 2020 (see table expected credit losses below). This also resulted in a lower allowance for expected credit losses of €10 million (2019: €14 million).

VAT receivable mainly related to VAT receivables from foreign tax authorities (2020: Italy and Belgium, 2019: Germany). The decrease in other accounts receivable in 2020 is mainly caused by settlement of receivables. In 2019, other accounts receivable mainly related to the compensation scheme for paid transition benefits (€9 million), receivables related to the sale of Postcon (€10 million, including an earnout arrangement and a final net working capital adjustment) and receivables related to the sale of PostNL Communication Services (€7 million).

The top 10 trade accounts receivable accounted for 19% of the outstanding balance as at 31 December 2020 (2019: 19%). The concentration of the trade accounts receivable portfolio over the different regions can be summarised as follows:

- Netherlands €290 million (2019: €235 million),
- rest of Europe €26 million (2019: €22 million), and
- the rest of the world €20 million (2019: €14 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

2019, 2020

	2019	2020
Balance at 1 January	10	14
Provided for during financial year	5	3
Acquisition of subsidiaries	2	-
Receivables written off during year as uncollectable	(3)	(7)
Balance at 31 December	14	10

Set out below is the information about the credit risk exposure on the trade accounts receivable using a provision matrix.

PostNL Expected credit losses in € million

2019, 2020

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	1%	3%	6%	14%	28%	
Gross amount of trade accounts receivable	209	28	11	4	34	286
Trade accounts receivable past due	48	22	10	4	32	116
Expected credit loss 2019	3	1	1	1	9	14
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

3.1.2 Other current liabilities

PostNL Other current liabilities in € million

2019, 2020

At 31 December	2019	2020
VAT payable	19	44
Social security contributions payable	24	27
Payments from customers received in advance	49	48
Other	18	26
Total	110	145

The VAT payable increased by €25 million. This is mainly caused by higher VAT payable due to higher revenues (€10 million). In 2019, the VAT payable was positively impacted by the new methodology applied for calculating non-deductible VAT charges.

Other current liabilities increased by €8 million which is mainly explained by cash funding liabilities related to the sale of Nexive to Mutaris.

3.1.3 Contract liabilities

PostNL Contract liabilities in € million

2019, 2020

At 31 December	2019	2020
Deferred revenue from unused stamps	42	47
Deferred revenue from franking machines	9	8
Rental of mailboxes	10	10
Other amounts received in advanced from customers	6	4
Total	67	69

In 2020, strong demand for Children and Christmas stamps and increased stamp inventory at retailers increased the related deferred contract liabilities. We expect to perform almost all services related to the outstanding contract liabilities at 31 December 2020 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

2019, 2020

At 31 December	2019	2020
To be paid to third parties	107	129
To be paid to personnel	30	52
Vacation days/vacation payments	83	92
Terminal dues	129	169
Interest payable	1	2
Other accrued current liabilities	1	1
Total	351	445

Main items within the expenses to be paid to third parties included payables to business partners of €19 million (2019: €12 million), claims of €9 million (2019: €6 million) and various other expenses to be paid.

Expenses to be paid to personnel included accrued wages and salaries of €26 million (2019: €22 million) and accruals for employee profit-sharing over 2020 (20 million).

The accrual for terminal dues relates to payables to foreign postal operators relating to the years 2020 and before, partly consisting of positions in SDR currency. The net payable position, including the receivable for terminal dues of €26 million (2019: €29 million) included in prepayments and accrued income, amounted to €143 million (2019: €100 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

2019

	Land and buildings	Plant and equipment	Other equipment	Construction in progress	Total
Depreciation percentage	0%-10%	10%-33%	10%-33%	0%	
Historical cost	780	487	61	5	1,333
Accumulated depreciation and impairments	(458)	(332)	(49)		(839)
Balance at 1 January 2019	322	155	12	5	494
Transfers to right-of-use assets at 1 January	(22)	(15)			(37)
Capital expenditure in cash	5	11	5	8	29
Acquisition of subsidiaries	4	3	1		8
Disposal of subsidiaries		(2)			(2)
Disposals	(5)				(5)
Internal transfers and reclassifications		2	1	(3)	
Depreciation	(23)	(30)	(6)		(59)
Impairments	(2)				(2)
Transfers to assets held for sale	(7)	(5)			(12)
Total changes	(50)	(36)	1	5	(80)
Historical cost	694	420	66	10	1,190
Accumulated depreciation and impairments	(422)	(301)	(53)		(776)
Balance at 31 December 2019	272	119	13	10	414

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

As a result of the adoption of IFRS 16 at 1 January 2019, an amount of €37 million was transferred from property, plant and equipment to right-of-use assets of which €27 million related to finance leases and €10 million to capitalised leasehold rights and ground rent contracts.

158

Capital expenditures 2020 are above the level of 2019. Investments were made in the new sorting and delivery centres within Parcels and in various other equipment.

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 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. In 2019, the transfers to assets held for sale related for €7 million to buildings in the Netherlands and for €5 million to equipment from Spotta that was classified as held for sale per 31 December 2019.

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

2019

	Goodwill	Software	Other	Total
Amortisation percentage		10%- 35%	0%- 35%	
Historical cost	143	257	42	442
Accumulated amortisation and impairments	(46)	(176)	(8)	(230)
Balance at 1 January 2019	97	81	34	212
Additions	128	22	10	160
Acquisition of subsidiaries		3	30	33
Disposals	(1)			(1)
Internal transfers/reclassifications		11	(11)	
Amortisation		(31)	(3)	(34)
Impairments		(4)		(4)
Transfers to assets held for sale		(2)		(2)
Total changes	127	(1)	26	152
Historical cost	271	278	70	619
Accumulated amortisation and impairments	(47)	(198)	(10)	(255)
Balance at 31 December 2019	224	80	60	364

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

In 2020, the transfers to assets held for sale of €15 million related to Cendris, which is classified as held for sale at 31 December 2020. In 2019, the comparable transfers related to Spotta, which was classified as assets held for sale at year-end 2019.

160

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 million resulted from the preliminary purchase price allocation of the acquisition of MyParcel.com and is allocated to the CGU Spring. In 2019, the addition to goodwill of €128 million related to the acquisition of Sandd and is allocated to the CGU Mail in the Netherlands. Reference is made to note 5.3 Business combinations for more detailed information. In 2020, the disposal of goodwill of €3 million related to the sale of Adeptiv (CGU Mail in the Netherlands). In 2019, the disposal of goodwill of €1 million related to the sale of PostNL Communicatie Services (CGU Mail in the Netherlands).

PostNL Goodwill per CGU in € million

2019, 2020

Year ended at 31 December	2019	2020
Parcels	32	32
Mail in the Netherlands	192	174
Spring		1
Total	224	208

Based on the 2020 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 value in use. The value in use has been estimated on the basis of the present value of future cash flows.

For both mature markets and non-mature markets, the estimated future net cash flows are based on a five-year (2019: eight-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% (2019: around 9.5%). The difference is predominantly caused by the increased Dutch Corporate Income Tax rate.

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 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

2019, 2020

Year ended at 31 December	2019	2020
Internally-generated software	73	75
Purchased software	7	4
Software under construction	15	18
Customer lists	45	35
Total	140	132

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 decrease in customer lists mainly related to the impairment of the customer list of PS Nachtdistributie (€4 million) and the sale of Adeptiv (€3 million).

The estimated amortisation expenses for software and other intangible assets are:

- 2021: €39 million,
- 2022: €27 million,
- 2023: €21 million, and
- thereafter: €45 million.

PostNL does not conduct significant research and development activities and therefore does not incur 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.

162

PostNL Right-of-use assets in € million

2019

	Land and buildings	Transport	Other	Total
Depreciation percentage	0%-10%	10%-33%	10%-33%	
Operating leases at 1 January	76	55	1	132
Finance leases transferred from PP&E at 1 January	12	2	13	27
Leasehold rights and ground rents transferred from PP&E at 1 January	10			10
Balance at 1 January 2019	98	57	14	169
New leases	84	37	11	132
Acquisition of subsidiaries	28	7	5	40
Disposal of subsidiaries	(1)			(1)
Depreciation	(39)	(31)	(7)	(77)
Transfers to assets held for sale	(4)			(4)
Total changes	68	13	9	90
Historical cost	212	101	31	344
Accumulated depreciation and impairments	(46)	(31)	(8)	(85)
Balance at 31 December 2019	166	70	23	259

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

In 2019, as a result of the adoption of IFRS 16, an amount of €132 million of right-of-use assets and liabilities were included in the balance sheet. Further, an amount of €37 million was transferred from property, plant and equipment to right-of-use assets of which €27 million relates to finance leases and €10 million to capitalised leasehold rights and ground rent contracts.

The new leases of €79 million in 2020 related for €21 million to 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) and further to the replacement and expansion of buildings, vans and trucks. The new leases of €132 million in 2019 included new sorting and delivery centres within Parcels. In 2019, the acquisition of Sandd resulted in an increase of the right-of-use assets of €40 million. In 2020, the disposals of €15 million related to leasehold assets included in the sale-and-leaseback transaction (€7 million) and to disposed and subleased contracts from buildings from Sandd (€8 million). The depreciation of €70 million (2019: €77 million) includes €9 million (2019: €17 million) of accelerated depreciation of assets from Sandd. 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 (2019: €4 million related to Spotta).

The right-of-use assets include a number of Parcel sorting centres and sorting machines financed by an entity especially set up for this purpose by a third party. The term of the related finance lease contracts and liabilities is 10 years. Up to 31 December 2020, 4 sorting centres (2018: 1, 2019: 3) have been finalised, for which the related right-of-use assets and lease liabilities have been recorded.

PostNL Lease liabilities in € million

2019, 2020

At 31 December	2019	2020
Long-term lease liabilities	201	231
Short-term lease liabilities	63	63
Total	264	294

In 2020, the lease liabilities increased by €30 million, mainly caused by the sale-and-leaseback transaction. The total cash outflow from leases amounted to €93 million (2019: €78 million) and related for €79 million to repayments of lease liabilities (2019: €62 million) and for €14 million to rent and lease expenses (2019: €16 million). Refer to note 4.1 for further information on the lease liabilities.

In 2020, rent and lease expenses of €14 million (2019: €16 million) relate for €12 million (2019: €9 million) to short-term leases and for €2 million (2019: €7 million) to leases for which the underlying asset is of low value. The interest expenses on lease liabilities amounted to €4 million (2019: €3 million).

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 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 2020

Based on the financing agreement with the pension fund, the final payment for transitional plans at year-end 2020 was determined on parameters as in Q3 2019, when interest rates were very low. Taking into account the interests of all stakeholders, PostNL initiated discussions with the pension fund on options for a solution to smooth the impact of low interest rates in determining the final payment. In June, parties agreed on modified payment conditions. The final payment now amounted to €280 million, of which PostNL has paid the pension fund €200 million at year-end 2020. The remaining €80 million will be deferred and paid in five annual instalments between 2021 and 2025. The deferred payment is accounted for as a minimum funding requirement. The agreement also led to reduced funding costs of soft pensions during 2020. In total, the reduction in the cash contribution for transitional plans amounted to around €20 million.

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 €110,111 (level 2020), 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 2020 and 2021 has been set at 1.751% and 1.783% 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 do not anticipate any top-up payments.

By the end of 2020, the month-end coverage ratio of the main fund amounted 111.1% (2019: 113.4%). The decreased coverage ratio is mainly explained by a negative effect from a decrease of the interest rate and a positive return on plan assets. The 12-months average coverage ratio amounted 104.4% per 31 December 2020 (2019: 110.6%).

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 74% 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 %

2019, 2020

At 31 December	Actual mix	Actual mix
	2019	2020
Equities	30%	33%
Fixed interest and inflation linked bonds	60%	58%
Real estate and alternative investment	10%	9%
Swaps	0%	
Total	100%	100%
Return	15.1%	6.7%

165

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 2020.

PostNL Statement of changes in provision for defined benefit plans in € million

2020

	Balance at 1 January 2020	Post- employment benefit income/ (expenses)	Employer contributions	Deferred payment transitional plans	Actuarial gains/ (losses)	Pension asset ceiling/ minimum funding requirement	Balance at 31 December 2020
Dutch main pension plan	0	(105)	72	(80)	(28)	61	(80)
Dutch transitional plans	(280)	(29)	227	80	(0)		(2)
Other plans	(3)	(0)	0		0		(3)
Provision for post-employment benefit plans	(283)	(135)	299	0	(28)	61	(86)

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

2019, 2020

		2019	2020
Regular defined benefit costs		(113)	(135)
Defined contribution costs		(12)	(12)
Total employer pension costs		(125)	(147)
Of which included within salaries, pensions and social security contributions	refer to note 2.1.3	(119)	(145)
Of which included within interest and similar expenses	refer to note 2.2	(6)	(2)
Defined benefit cash contributions		99	99
Defined benefit payment unconditional funding obligation		33	
Defined benefit final payment transitional plans			200
Defined contribution cash contributions		12	12
Total employer pension cash contributions		144	311
Actuarial gain/(loss) due to:			
Change in discount rate	from 0.9% to 0.3% (2019: from 1.8% to 0.9%)	(1,422)	(1,066)
Change in rate of benefit increases	from 0.9% to 0.8% (2019: from 1.1% to 0.9%)	242	241
Change in future benefit accrual rate		44	18
Changes in demographic assumptions		1	164
Experience adjustments		125	55
Actuarial gain/(loss) on benefit obligations		(1,010)	(588)
Actuarial gain/(loss) on plan assets		1,091	560
Total actuarial gain/(loss)		81	(28)
<i>Net charge within Other Comprehensive Income</i>		<i>60</i>	<i>(21)</i>
Adjustment for pension asset ceiling		(120)	142
Adjustment for minimum funding requirement		33	(80)
Total gross adjustment		(87)	61
<i>Net charge within Other Comprehensive Income</i>		<i>(65)</i>	<i>46</i>

The actuarial gain of €18 million (2019: gain of €44 million) resulting from a change in the rate of benefit accrual that follows from the maximum level of pension (cash) contributions of 29.2%, in combination with a decrease of the future rate of benefit accrual due to low interest rates. Given these 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 €61 million is the consequence of the decrease in the main fund's funded status (on the basis of IAS 19 accounting) during 2020, triggering the decline of the asset ceiling and the new minimum funding requirement relating to the deferred payment of the transitional plans.

For 2021, we expect total cash contributions of around €105 million including the first instalment of the deferred payment of one fifth of €80 million (2020: €311 million including €200 million final payment of soft pension benefits per year-end 2020).

For 2021, we expect total employer pension costs of around €162 million (2020: €147 million). The increase is mainly explained by the lower discount rate resulting in a higher defined benefit obligation and higher service costs. As the net liability of the main pension plan is limited to the outstanding funding obligation, we expect an actuarial gain of around €75 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

2019, 2020

	2019	2020
Change in benefit obligation		
Benefit obligation at beginning of year	(8,607)	(9,655)
Transfers to liabilities relating to assets held for sale	(1)	
Service costs	(116)	(143)
Interest costs	(155)	(87)
Actuarial (losses)/gains	(1,010)	(588)
Benefits paid	234	237
Benefit obligation at end of year	(9,655)	(10,235)
Of which funded benefit obligations	(9,375)	(10,233)
Of which unfunded benefit obligations	(280)	(2)
Change in plan assets		
Fair value of plan assets at beginning of year	8,364	9,512
Transfers to liabilities relating to assets held for sale	0	
Assumed return on plan assets	150	86
Employee contributions	18	19
Employer contributions	132	299
Other costs	(9)	(9)
Actuarial (losses)/gains	1,091	560
Benefits paid	(234)	(237)
Fair value of plan assets at end of year	9,512	10,230
Change in funded status		
Funded status at the beginning of year	(243)	(143)
Transfers to liabilities relating to assets held for sale	(1)	
Operating expenses	(107)	(133)
Interest (expenses)/income	(5)	(1)
Employer contributions	132	299
Actuarial (losses)/gains	81	(28)
Funded status at end of year	(143)	(5)
Impact of pension asset ceiling	(140)	
Impact of minimum funding requirement		(80)
Netted pension liabilities	(283)	(86)
Components of employer pension expenses		
Service costs (net of employee contributions)	(98)	(124)
Interest (expenses)/income	(6)	(2)
Other costs	(9)	(9)
Total post-employment benefit income/(expenses)	(113)	(135)
Weighted average assumptions as at 31 December		
Discount rate	0.9%	0.3%
Rate of benefit increases	0.9%	0.8%
Life expectancy 65 year old men/women (in years)	21.4/23.3	21.0/23.0

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 2020 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. The percentages presented are prior to any effect of liability or asset ceiling.

PostNL Sensitivity defined benefit obligation as indicated

2020

	%-change in assumptions	impact on defined benefit obligation
Benefit obligation at end of year (in € millions)		10,235
Discount rate	+ 0.5%	(8.6%)
Rate of benefit increases	+ 0.5%	10.0%
Life expectancy men/women	+ 1 yr	4.4%
Benefit obligation at end of year (in € millions)		10,235
Discount rate	- 0.5%	9.6%
Rate of benefit increases	- 0.5%	(9.1%)
Life expectancy men/women	- 1 yr	(4.3%)

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

2020

	Other employee benefit obligations	Restructuring	Claims and indemnities	Other	Total
Non-current other provisions	13		11	2	26
Current other provisions	7	31	5	10	53
Balance at 1 January 2020	20	31	16	12	79
Additions	4	8	6	4	22
Withdrawals	(3)	(27)	(4)	(9)	(43)
Releases		(2)	(3)	(2)	(7)
Total changes	1	(21)	(1)	(7)	(28)
Non-current other provisions	13		14	2	30
Current other provisions	8	10	1	3	21
Balance at 31 December 2020	21	10	15	5	51

The estimated utilisation of the other provisions in 2021 is €21 million, in 2022 €18 million, in 2023 €3 million and in 2024 and thereafter €9 million.

Other employee benefit obligations

As at 31 December 2020, the other employee benefit obligations mainly relates to a provision for jubilee benefits of €13 million (2019: €13 million) and long-term disability benefits of €7 million (2019: €7 million).

Restructuring

The additions in restructuring provision of €8 million mainly relates to the restructuring programmes within operations Mail Netherlands (€5 million) and Cross Border Solutions (€2 million).

The withdrawals of €27 million concerned severance payments within Sandd (€23 million) related to around 1.330 FTEs, severance payments under the cost saving programmes totalling €2 million related to around 30 FTEs and payments for other initiatives totaling €2 million related to around 20 FTEs.

The release of €2 million mainly related to the restructuring programme within Sandd, 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, as well as indemnities and disputes related to business disposals. Within Sandd, the disputes mainly relate to discussions on the remuneration (incl. 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 withdrawals in other provisions of €9 million mainly relate to onerous contracts within Sandd (€7 million) and anticipated customs clearance costs (€2 million).

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
2019, 2020

	2019	2020
Balance at 1 January	3	3
Share in net result	0	
Additions	1	1
Disposals	(1)	
Transfer MyParcel.com to investments in group companies		(1)
Balance at 31 December	3	3

As at 31 December 2020, the investments in associates mainly related to minority shareholdings in Roamlar Care and CB Healthcare within Parcels. There were no material joint ventures.

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 Roamlar 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.

In 2019, additional capital contributions were made in Roamlar Care and MyParcel.com of €1 million in total. PostNL's stake in MyParcel.com increased to 40% of the shares. In 2019, the disposals of €1 million relate to the liquidation of Postkantoren B.V., our former joint venture with ING Bank N.V.

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 (2019: €0 million). The profit/(loss) of all immaterial investments in associates amounted to €0 million (2019: €(1) 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 2020:

PostNL Statement of changes deferred taxes in € million

2020

	Net balance 1 January 2020	Changes via income statement	Changes via OCI	Disposed subsidiaries	Other changes	Net balance 31 December 2020	Assets	Liabilities
Provisions	32	(21)	(8)			3	3	
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	
Other	77	(51)			15	41	41	
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

Of the deferred tax assets at 31 December 2020, before offsetting, €48 million (2019: €75 million) is to be recovered within 12 months and €72 million (2019: €94 million) after 12 months. Of the deferred tax liabilities at 31 December 2020, before offsetting, an amount of €30 million (2019: €35 million) is to be settled within 12 months and an amount of €103 million (2019: €69 million) after 12 months.

The changes via other comprehensive income of €8 million fully relate to taxes on OCI from pensions.

The other changes of €15 million (2019: €18 million) represent mainly the Dutch tax credit potential upon realising (liquidation) losses in connection with the sale of the Nexive and Postcon businesses (refer to note 3.9).

The total accumulated losses available for carry forward at 31 December 2020 amounted to €106 million (2019: €115 million). With these losses carried forward, future tax benefits of €27 million could be recognised (2019: €29 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 €18 million (2019: €23 million) of the potential future tax benefits and has recorded deferred tax assets of €9 million at 31 December 2020 (2019: €6 million).

The expiration of total accumulated losses is as follows:

- 2021: €6 million,
- 2022: €2 million,
- 2023: €1 million,
- 2024: €2 million,
- 2025 and thereafter: €8 million, and
- Indefinite: €87 million.

The following table shows the movements in deferred taxes in 2019:

PostNL Statement of changes deferred taxes in € million

2019

	Net balance 1 January 2019	Changes via income statement	Changes via OCI	Acquisition of subsidiaries	Other changes	Net balance 31 December 2019	Assets	Liabilities
Provisions	21	6	4	1		32	32	
Intangible assets	(24)	(3)				(27)	6	33
Property, plant and equipment	(23)	1				(22)	9	31
Leases				(1)		(1)	39	40
Losses carried forward	6					6	6	
Other	55	4			18	77	77	
Deferred tax								
assets/liabilities	35	8	4	0	18	65	169	104
Offsetting							(104)	(104)
Net deferred taxes	35	8	4	0	18	65	65	0

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 2020, assets classified as held for sale amounted to €55 million (2019: €91 million) and related for €14 million to buildings held for sale in the Netherlands (2019: €10 million), for €0 million to the minority interest of 20% in Nexive and for €41 million to Cendris (2019: €65 million related to Nexive and €16 million to Spotta). The liabilities related to assets classified as held for sale of €25 million (2019: €100 million) related to Cendris (2019: €84 million related to Nexive and €16 million to Spotta).

Nexive and Postcon

In 2018, PostNL decided to divest Nexive and Postcon. On 3 August 2018, the classification criteria of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations were met. Accordingly, as of Q3 2018, Nexive and Postcon are reported as 'held for sale' and the results and cash flows are reported as 'discontinued operations'.

On 5 August 2019, PostNL announced that it signed an agreement on the sale of Postcon's activities to Quantum Capital Partners. The transaction closed on 31 October 2019. As part of the transaction, parties agreed on an earnout arrangement with a value of between €0 and €12 million, recorded as other accounts receivable.

On 24 February 2020, PostNL announced that it signed an agreement on the sale of 80% of the activities of Nexive to Mutares SE & Co KGaA. The transaction closed on 1 July 2020. PostNL obtained a minority interest of 20% in the entity acquiring the Nexive business. As part of the transaction, PostNL agreed to commit to a cash contribution. On 16 November 2020, PostNL and Mutares announced they reached an agreement with Poste Italiane to sell 100% of the activities of Nexive to Poste Italiane. The transaction has been completed on 29 January 2021. Refer to note 5.5 Subsequent events.

The following table presents the financial performance and cash flow information for the discontinued operations in the years 2019 and 2020. In 2020, the figures include the business results of Nexive until 1 July 2020 (2019: Postcon until 31 October 2019 and Nexive until 31 December 2019).

PostNL discontinued operations Financial performance and cash flow in € million

2019, 2020

Year ended at 31 December	2019	2020
Revenues	659	91
Expenses	(679)	(109)
Operating income	(20)	(18)
Financial expense	(1)	(0)
Income taxes	1	0
Profit/(loss) after taxes	(20)	(18)
Adjustments to fair value less costs to sell	(48)	22
Profit/(loss) from discontinued operations	(68)	4
Net cash (used in)/from operating activities	8	(8)
Net cash (used in)/from investing activities	(2)	1
Net cash (used in)/from financing activities	(9)	(4)
Changes in cash and cash equivalents	(3)	(11)

The adjustments of €22 million (2019: €(48) million) resulted from the updated fair value assessment of the transactions with Mutares (Nexive) and Quantum Capital Partners (Postcon) and includes a positive tax effect of €15 million (refer to note 3.8). The fair value measurement is based on inputs not based on observable market data (level 3).

The following table presents the carrying amounts of assets and liabilities (excluding equity and intercompany balances) of Nexive at 31 December 2019. The value of the minority interest of 20% in Nexive is €0 million at 31 December 2020.

PostNL discontinued operations Condensed balance sheet in € million

2019

	31 Dec 2019
Total non-current assets	16
Trade accounts receivable	7
Other current assets	35
Cash and cash equivalents	7
Total assets	65
Provisions	9
Long-term liabilities	15
Trade accounts payable	34
Other current liabilities	26
Total liabilities	84

At 31 December 2019, the main part of the provisions of €9 million related to the unfunded defined benefit plan *Trattamento di Fine Rapporto* (TFR) of €7 million in Italy.

As a specific contingent tax liability, at the end of December 2020 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.

174

Cendris

At year-end 2020, the classification criteria of IFRS 5 Non-current Assets Held for Sale were met in relation to the anticipated sale of Cendris, a specialist in customer contact services in the Netherlands and part of the segment Mail in the Netherlands. The assets of Cendris consist of goodwill of €14 million, other non-current assets of €10 million and current assets of €17 million. The liabilities consist of non-current liabilities of €5 million and current liabilities of €20 million. The transaction closed on 23 February 2021. Refer to note 5.5 Subsequent events.

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 2020 and 2019.

PostNL Property, plant and equipment in € million

2019, 2020

	2019	2020
Balance at 1 January	5	10
Disposals	(2)	(2)
Transfers from property, plant and equipment	7	6
Balance at 31 December	10	14

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

2019, 2020

At 31 December	2019	2020
Short-term leases and leases of low-value assets	5	3
Leases, not commenced	82	84
Capital expenditure	34	39
Purchase commitments	127	140

As at 31 December 2020, €118 million of the commitments indicated above are of a short-term nature (2019: €118 million).

Short-term leases and leases of low-value assets

In 2020, 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 2020, commitments in connection with leases not commenced amounted to €84 million (2019: €82 million). These commitments primarily relate to the new head office (€60 million). Other commitments relate to vans and cars.

Capital expenditure

As at 31 December 2020, commitments in connection with capital expenditure amounted to €39 million (2019: €34 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 2020, PostNL had unconditional purchase commitments of €140 million (2019: €127 million), primarily related to various service and maintenance contracts for information technology, security, salary registration and cleaning.

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 2020, 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, subcontracting 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.

The company is also involved in 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.

Pursuant to the pension arrangements concluded between PostNL, TNT Express and the pension funds, PostNL provided a subsidiary guarantee for TNT Express in the event of violation of contractual terms, irregularity of payments and bankruptcy. This subsidiary guarantee only relates to pension benefits accrued under the existing pension plans (up to the date of the demerger) and will comprise a liability that gradually decreases over time. In addition, PostNL has provided a guarantee for future TNT Express pension payments, barring certain unforeseen circumstances. The guarantees of PostNL will only exist as long as the coverage ratio of the TNT Express fund is below a certain level. If the coverage ratio rises above that level and remains above that level for three consecutive quarters, the guarantees lapse.

As at 31 December 2020, 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

2020

At 31 December 2020	Parcels	Mail in NL	PostNL Other	Discontinued operations	Total
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	653		812
Assets classified as held for sale		53	2	0	55
Total assets	793	667	750	0	2,210
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		25		0	25
Total liabilities	478	727	783	0	1,988
Cash out for capital expenditures	26	31	21		78

A reconciliation of the segment information relating to the balance sheet of the reportable segments as at 31 December 2019 is presented below.

PostNL Segmentation - balance sheet and capital expenditures in € million

2019

At 31 December 2019	Parcels	Mail in NL	PostNL Other	Discontinued operations	Total
Intangible assets	65	267	32		364
Property, plant and equipment	259	140	15		414
Right-of-use assets	176	62	21		259
Other non-current assets	20	0	69		89
Trade accounts receivable	143	127	1		271
Other current assets	51	105	494		650
Assets classified as held for sale	0	26	0	65	91
Total assets	714	727	632	65	2,138
Non-current liabilities	236	249	720		1,205
Trade accounts payable	62	105	30		197
Other current liabilities	199	462	(7)		654
Liabilities related to assets classified as held for sale	0	16	0	84	100
Total liabilities	497	832	743	84	2,156
Cash out for capital expenditures	28	22	16		66

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.

PostNL Geographical segmentation - assets in € million

2019, 2020

At 31 December	2019			2020		
	The Netherlands	Other countries	Total	The Netherlands	Other countries	Total
Intangible assets	363	1	364	338	1	339
Property, plant and equipment	411	3	414	366	4	370
Right-of-use assets	232	27	259	221	22	243
Financial fixed assets	88	1	89	49	5	54
Total non-current assets	1,094	32	1,126	974	32	1,007

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.

Balance sheet 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

2019, 2020

At 31 December	2019	2020
Short- and long-term debt	696	708
Long-term interest bearing assets	(6)	(27)
Cash and cash equivalents	(480)	(651)
Net debt	210	31
Pension liabilities	283	86
Lease liabilities (on balance)	264	294
Lease liabilities (off balance)	51	66
Deferred tax assets on pension and operational lease liabilities	(72)	(70)
Adjusted net debt	736	407

180

As at 31 December 2020 adjusted net debt amounted to €407 million (2019: €736 million). The decrease of €329 million mainly resulted from positive net cash from operating and investing activities of €266 million and a decrease in pension liabilities of €197 million, partly offset by new leases of €138 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 2020, long-term interest-bearing assets of €27 million (2019: €6 million) mainly include a lessor loan of €15 million (2019: €5 million) relating to the finance lease of a sorting machine by Bol.com, and a loan of €10 million to Nexive 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

2019, 2020

At 31 December	Nominal amount	Average amount	Effective interest rate
Cash at bank and in hand	219		
Bank deposits	25	7	(0.51%)
Money Market Funds	236	136	(0.40%)
Total cash and cash equivalents 2019	480		
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		

As at 31 December 2020, included in cash and cash equivalents was €0 million (2019: €0 million) of restricted cash. The fair value of cash and cash equivalents approximated the carrying value.

Debt

As at 31 December 2020, the total of debt-related liabilities consists of long-term debt of €927 million (2019: €896 million) and short-term debt of €75 million (2019: €64 million).

PostNL Total borrowings - maturity schedule in € million

2020

	Eurobonds	Lease liabilities	Other loans	Total
2021		63	12	75
2022		65		65
2023		43		43
Thereafter	696	123		819
Total borrowings	696	294	12	1,002
Of which included in long-term debt	696	231		927
Of which included in short-term debt		63	12	75

The following table presents the cash and the non-cash changes in debt during 2020. The other loans of €12 million mainly include a short-term pre-lease financing with an interest rate of 1.3%.

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)		(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

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 2019.

PostNL Reconciliation debt in € million

2019

	Eurobonds	Lease liabilities	Other loans	Total
Balance at 1 January 2019	398	25	1	424
Proceeds	296			296
Repayments		(62)	(64)	(126)
Total cash movements	296	(62)	(64)	170
Operating leases at 1 January 2019		132		132
New leases		135		135
Acquisition of subsidiaries		39	64	103
Disposal of subsidiaries		(1)		(1)
Amortisation	1			1
Transfers to assets held for sale		(4)		(4)
Total non-cash movements	1	301	64	366
Balance at 31 December 2019	695	264	1	960

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

2019, 2020

	2019	2020
Balance at 1 January	17	15
Additions	1	1
Remeasurement recognised in OCI	3	
Partial reduction in our stake in Whistl	(6)	
Repayment of our stake in Endeit		(1)
Balance at 31 December	15	15

As at 31 December 2020, 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. 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. In 2019, the fair value remeasurement of €3 million mainly related to our stake in Whistl, for which external valuation insights have been applied.

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 2020: 1.0);
- structural availability of €300 million to €400 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 2020, PostNL's gross interest-bearing borrowings, including lease obligations, totalled €1,002 million (2019: €960 million), all at fixed interest rates. Financial assets are on average of a short-term nature.

At 31 December 2020, 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 €7 million higher (2019: €5 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 (2019: €4 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 2020, 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 2020, 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 (2019: €0 million). In 2020, 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 2019. Equity would have been positively impacted by €2 million (2019: €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 2020. In 2020, 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 2020, the €400 million committed credit facility (maturity date: 10 April 2022) was undrawn (2019: 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

2019, 2020

At 31 December	Less than 1 year	Between 1 and 3 years	Thereafter	Book value
Eurobonds	6	12	716	695
Leases	66	102	107	264
Other loans	1			1
Interest rate and cross-currency swaps - outgoing	18			0
Foreign exchange contracts - outgoing	176			0
Trade accounts payable	197			197
Other current liabilities	67			67
Total outgoing flows	531	114	823	1,224
Interest rate and cross-currency swaps - incoming	18			
Foreign exchange contracts - incoming	176			
Total mitigation via incoming flows	194			
Total liquidity risk 2019	337	114	823	1,224
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

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

2019, 2020

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	6			6
Other financial fixed assets		level 3			15	15
Accounts receivable	3.1.1	level 2	322			322
Foreign exchange contracts ¹		level 2		1		1
Cash and cash equivalents	4.1		480			480
Total assets balance sheet 2019			808	1	15	824
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

¹ Foreign exchange contracts are included in prepayments and accrued income in the statement of financial position.

186

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 2019 and 31 December 2020.

PostNL Financial instruments - liabilities in € million

2019, 2020

At 31 December	Notes	Input information level (IFRS13)	Financial liabilities measured at amortised costs	Derivatives used for hedging	Total
Long-term debt	4.1	level 1 ¹	695		695
Trade accounts payable		level 2 ²	197		197
Short-term debt	4.1	level 2 ²	1		1
Other current liabilities ³	3.1.2	level 2 ²	66	1	67
Total liabilities balance sheet 2019			959	1	960
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

¹ Eurobonds level 1.

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 €48 million (2019: €49 million) and 'Other' for €26 million (2019: €18 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 table below.

PostNL Outstanding eurobonds in € million

2019, 2020

At 31 December	Nominal value	Costs/discount to be amortised	Hedge accounting	Carrying value	Fair value
1.000% eurobond 2024	400	1	No	399	412
0.625% eurobond 2026	300	4	No	296	299
Total outstanding eurobonds 2019	700	5		695	711
1.000% eurobond 2024	400	1	No	399	416
0.625% eurobond 2026	300	3	No	297	312
Total outstanding eurobonds 2020	700	4		696	728

Leases

For the details on the outstanding leases, see the table below.

PostNL Outstanding leases in € million

2019, 2020

At 31 December	Nominal value	Fixed/floating interest	Hedge accounting	Carrying value	Fair value
Total outstanding leases 2019	264	fixed	No	264	264
Total outstanding leases 2020	294	fixed	No	294	294

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

2019, 2020

At 31 December	Carrying value	Fair value	Nominal value	Hedge	Amount in equity
Asset	1	1	79	balance sheet/cashflow	0
Liability	1	1	97	balance sheet/cashflow	0
Foreign exchange contracts 2019					
Asset	1	1	125	balance sheet/cashflow	0
Liability	1	1	112	balance sheet/cashflow	0
Foreign exchange contracts 2020					

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 2020, 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 (2019: €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

2019, 2020

At 31 December	Carrying value	Fair value	Nominal value	Hedge	Amount in equity
Interest rate swaps 2019	0	0	18	balance sheet/cashflow	0
Interest rate swaps 2020	(1)	(1)	18	balance sheet/cashflow	(1)

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.

188

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 2020, the company's issued share capital amounted to €40 million (2019: €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 1,038,803 ordinary shares in 2020 (2019: 852,661 shares) under its incentive schemes to 'Stichting Managementparticipatie PostNL' (Foundation Management Participation PostNL). The company did not purchase any ordinary shares in 2020 (2019: 0 shares) to cover its obligations under the existing share plans. At 31 December 2020, the total number of shares held for this purpose was nil (2019: 0 shares). The company also held no ordinary shares for cancellation at 31 December 2020 (2019: 0 shares).

PostNL Shares number of shares

2019, 2020

Before proposed appropriation of profit	2019	2020
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	469,199,776	493,952,586
Issued for stock dividend	23,900,149	0
Issued under its incentive schemes	852,661	1,038,803
Per 31 December of the reported year	493,952,586	494,991,389
Issued and outstanding per 31 December by class		
Ordinary shares	493,952,586	494,991,389
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	1,830,366	2,161,059
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 ING 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 2020, the number of PostNL shares involved amounted to 2,161,059 shares (2019: 1,830,366 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 2020 no preference shares B were issued.

Additional paid-in capital

At 31 December 2020, additional paid-in capital of €161 million (2019: €160 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 2020 amounted to €375,867 (2019: €403,742). For details see the 'Remuneration report'.

190

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 2020, the total remuneration based on IFRS of the Board of Management amounted to €2,163,095 (2019: €1,926,351). The following table presents total remuneration of the Board of Management:

PostNL Remuneration of the Board of Management in €

2019, 2020

		Base salary ¹	Other benefits ²	Pension costs ³	One year variable	Multi-year variable	Total remuneration
Herna Verhagen - CEO	2020	640,625	181,760	34,316	216,211	163,464	1,236,376
	2019	625,000	185,135	24,355	140,625	119,963	1,095,078
Pim Berendsen - CFO	2020	486,875	114,341	41,099	164,320	120,084	926,719
	2019	475,000	115,002	32,252	106,875	102,144	831,273

1 Base salaries 2020 were indexed with 2.5%.

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 in 2020 compared to 2019 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 2020, an amount of €380,531 was accrued for. In accordance with the remuneration policy, this amount will be paid in cash in 2021. In 2020, an amount of €247,500 was paid to the members of the Board of Management in relation to the short-term incentive of 2019.

Accrued for long-term incentive

In 2020, 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 €283,548 (2019: €222,107).

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

2020

Name of Director - position	Specification of plan	Number of shares held at 1 Jan 2020 ¹	Number of shares granted during 2020 ²	Number of shares settled during 2020	Number of shares forfeited during 2020	Net number of shares under a holding period at 31 Dec 2020	Number of shares subject to a performance condition at 31 Dec 2020
Herna Verhagen - CEO	PSP 2020		161,884				161,884
	PSP 2019	105,737					105,737
	PSP 2018	85,692					85,692
	PSP 2017	63,150		(21,048)	(42,102)	10,629	
	PSP 2016	25,725				25,725	
	PSP 2015	27,423					
	Total shares	307,727	161,884	(21,048)	(42,102)	36,354	353,313
Pim Berendsen - CFO	PSP 2020		123,032				123,032
	PSP 2019	80,361					80,361
	PSP 2018	65,126					65,126
	PSP 2017	28,688		(9,562)	(19,126)	³	
		Total shares	174,175	123,032	(9,562)	(19,126)	
Total shares		481,902	284,916	(30,610)	(61,228)	36,354	621,832

1 The shares of PSP2017 held by Pim Berendsen reflect the number of shares that were granted in his duty as member of the Executive Committee.

2 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 2020 results (€1.4478).

3 The shares of PSP 2017 were granted to Pim Berendsen in his duty as member of the Executive Committee and are not subject to a holding period.

PostNL The main conditions of share award plans

2020

Specification of plan	Performance period	Grant date
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
PSP 2015	01/01/2015-31/12/2017	09/05/2015

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 2020, an amount of €283,548 (2019: €222,107) 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 2020: €1.341 per share; PSP 2019: €1.853 per share; PSP 2018: €3.220 per share; PSP 2017: €4.361 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 2020 (2019: 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.

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 €2.1 million in 2020 (2019: €1.6 million). The realised amounts will be granted and paid in PostNL shares in 2021.

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.

PostNL Performance share plan senior management

2020

Specification of plan	Number of shares held at 1 Jan 2020	Number of shares granted during 2020 ¹	Number of shares settled during 2020	Number of shares forfeited during 2020	Number of shares outstanding at 31 Dec 2020
PSP 2020		372,094			372,094
PSP 2019	238,111				238,111
PSP 2018	187,763				187,763
PSP 2017	122,087		(40,694)	(81,393)	
Total shares	547,961	372,094	(40,694)	(81,393)	797,968

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 2020 results (€1.4478).

In 2020, an amount of €342,354 (2019: €347,600) 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 2020: €1.341 per share; PSP 2019: €1.853 per share; PSP 2018: €3.220 per share; PSP 2017: €4.361 per share) and by taking into account expected vesting percentages.

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

2020

Specification of plan	Vesting period	Number of shares outstanding at 1 Jan 2020	Number of shares granted during 2020	Number of shares settled during 2020	Number of shares forfeited during 2020	Number of shares outstanding at 31 Dec 2020
Bonus matching 2020	06/05/2020-06/05/2023		60,688		(5,120)	55,568
Bonus matching 2019	10/05/2019-10/05/2022	40,498			(3,096)	37,402
Bonus matching 2018	09/05/2018-09/05/2021	11,345		(180)	(1,636)	9,529
Bonus matching 2017	09/05/2017-09/05/2020	27,522		(27,170)	(352)	
Total		79,365	60,688	(27,350)	(10,204)	102,499

In 2020, an amount of €61,451 (2019: €92,685) 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 (2020: €1.341 per share; 2019: €1.853 per share; 2018: €3.220 per share; 2017: €4.361 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 2020 (2019: 0) to cover its obligations under the existing share plans. As at 31 December 2020, the total number of shares held for this purpose was nil (2019: 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 2020, sales of PostNL to joint ventures and associates amounted to €1 million (2019: €0 million). Purchases of PostNL from joint ventures and associates amounted to €0 million (2019: €0 million). The net amounts due from the joint ventures and associates amounted to €11 million (2019: €0 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

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 million and related to expected synergies from combining operations of MyParcel.com and our existing international parcel business. The impact of the acquisition on the pro forma results of PostNL is not material.

Sandd

On 22 October 2019, PostNL acquired 100% of the shares of Sandd, the other postal company with country-wide coverage in the Netherlands, for an amount of €65 million. The acquisition fits within the goal to create one nationwide postal network for the Netherlands in order to ensure that the postal market remains reliable, accessible and affordable for everyone. The purchase price allocation resulted in intangible assets of €30 million (customer relationships, with an amortisation period of 16 years) and goodwill of €128 million. The goodwill comprises the value of expected synergies arising from the acquisition. None of the goodwill recognised is expected to be deductible for income tax purposes. Transaction costs of €6 million were expensed and were included in other operating expenses. In 2020, there were no changes to the fair values of the identifiable assets and liabilities of Sandd.

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, except to the extent that the non-controlling interest has a binding obligation and is able to make an additional investment to cover the losses.

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 29 January 2021, PostNL and Mutares announced to have closed the sale of Nexive, the number-two mail and parcels provider in Italy, to Poste Italiane. PostNL also terminated the joint venture agreement with Mutares, which resulted in the release of the remaining part of the committed cash contributions. The transaction resulted in a net result of €26 million and cash proceeds of €29 million.

On 23 February 2020, 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. The transaction is expected to result in a book profit of around €15 million and gross cash proceeds of around €48 million.

Corporate primary statements

PostNL N.V. Corporate income statement in € million

2019, 2020

Year ended at 31 December	Notes	2019	2020
Dividend income	6.2.1	0	200
Reversal impairment/(impairment) Mail investments	6.2.2	(409)	219
Salaries, pensions and social security contributions	6.2.3	6	(35)
Other operating expenses		0	1
Total operating expenses		(403)	185
Operating income		(403)	385
Interest and similar income		1	0
Interest and similar expenses		(7)	(8)
Net financial expense	6.2.4	(6)	(8)
Profit/(loss) before income taxes		(409)	377
Income taxes	6.2.5	0	11
Profit/(loss) for the year attributable to shareholders		(409)	388

PostNL N.V. Corporate statement of comprehensive income in € million

2019, 2020

Year ended at 31 December	Notes	2019	2020
Profit for the year attributable to shareholders		(409)	388
Actuarial gains/(losses) pensions, net of tax	6.4.2	81	(21)
Pension asset ceiling/minimum funding requirement, net of tax	6.4.2	(65)	46
Other comprehensive income that will not be reclassified to the income statement		16	25
Total comprehensive income for the year		(393)	413

PostNL N.V. Corporate statement of cash flows in € million

2019, 2020

Year ended at 31 December	Notes	2019	2020
Profit/(loss) before income taxes		(409)	377
Adjustments for:			
Reversal impairment/(impairment) Mail investments		409	(219)
Share-based payments		1	3
Dividend income		0	(200)
Interest and similar income		(1)	0
Interest and similar expenses		7	8
Investment income		6	(192)
Pension liabilities		(12)	113
Other provisions		0	(0)
Changes in provisions		(12)	112
Changes in working capital		3	(2)
Cash used in operations		(2)	80
Interest paid		(4)	(6)
Income taxes received/(paid)		(32)	25
Net cash (used in)/from operating activities	6.3.1	(38)	99
Dividend received		0	200
Interest received		1	0
Capital contribution paid		(117)	0
Changes in accounts receivable from Group companies		(71)	(299)
Net cash (used in)/from investing activities	6.3.2	(187)	(99)
Dividends paid		(71)	0
Proceeds from long-term borrowings		296	0
Net cash (used in)/from financing activities	6.3.3	225	0
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 financial position in € million

2019, 2020

At 31 December	Notes	2019	2020
Before proposed appropriation of profit			
Assets			
Investments in Mail	6.4.1	2,783	3,002
Deferred tax assets	6.2.5	0	3
Total non-current assets		2,783	3,004
Accounts receivable from Group companies	6.4.3	25	323
Other accounts receivable		1	2
Income tax receivable		19	0
Cash and cash equivalents		0	0
Total current assets		45	326
Total assets		2,828	3,330
Equity and liabilities			
Issued share capital		40	40
Additional paid-in capital		160	161
Revaluation reserve investments in Mail		1,759	1,978
Other reserves		602	(22)
Retained earnings		(432)	388
Total shareholders' equity	6.3.4	2,129	2,546
Provision for pension liabilities	6.4.2	0	81
Eurobonds	6.4.4	695	696
Other provisions		2	1
Total non-current liabilities		697	778
Income tax payable		0	5
Other current liabilities		2	1
Total current liabilities		2	6
Total equity and liabilities		2,828	3,330

PostNL N.V. Corporate statement of changes in equity in € million

2019, 2020

	Issued share capital	Additional paid- in capital	Revaluation reserve investments in Mail	Other reserves	Retained earnings	Total shareholders' equity
Balance at 1 January 2019	38	160	2,168	345	(118)	2,593
Total comprehensive income				16	(409)	(393)
Appropriation of net income				(166)	166	0
Final dividend previous year	1	(1)			(48)	(48)
Interim dividend current year	1	(1)			(23)	(23)
Share-based compensation		2		(1)		1
Reduction revaluation reserve			(409)	409		0
Other				(1)		(1)
Balance at 31 December 2019	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

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 Prinses Beatrixlaan 23, 2595 AK, 's-Gravenhage, 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 1 March 2021 and are subject to adoption at the Annual General Meeting of Shareholders on 20 April 2021.

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 2020.

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 Mail investments 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 2020 was €200 million (2019: €0 million).

6.2.2 Impairment Mail investments

In 2020, an impairment reversal of €219 million on the company's investments in Mail was accounted for (2019: impairment charge of €409 million). Reference is made to note 6.4.1 to the corporate financial statements.

6.2.3 Salaries, pensions and social security contributions

In 2020, salaries, pensions and social security contributions amounted to €35 million (2019: €(6) 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

2019, 2020

Year ended at 31 December	2019	2020
Interest expenses on long-term borrowings	5	7
Interest on net defined benefit pension liabilities	1	1
Other interest and similar expense	1	
Interest and similar expense	7	8
Other interest and similar income	(1)	0
Net financial expense/(income)	6	8

Interest expenses on long-term borrowings relate to the outstanding eurobonds. In 2020, interest expenses on long-term borrowings increased mainly as a result of a new bond obtained in September 2019. 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

2019, 2020

Year ended at 31 December	2019	2020
Current tax expense	6	(0)
Changes in deferred taxes	(6)	(11)
Total income tax expense/(income)	0	(11)
Income taxes paid/(received)	32	(25)

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 2020, the change in deferred taxes also includes an amount of €(8) million (2019: €(6) million) via other comprehensive income fully related to taxes on OCI from pensions.

PostNL N.V. Corporate effective income tax rate in € million

2019, 2020

Year ended at 31 December	2019	2020
Dutch statutory income tax rate	25.0	25.0
Tax effects of:		
Non and partly deductible costs	0.0	0.0
Non taxable impairment reversal/non deductible impairment	(25.0)	(14.5)
Exempt income	0.0	(13.2)
Other	0.0	(0.2)
Effective income tax rate	0.0	(2.9)

In 2020, the income taxes of €(11) million (2019: €0 million) on the result before income taxes of €377 million (2019: €(409) million), resulted in an effective income tax rate of (2.9%) (2019: 0%). Adjusted for the tax-exempt dividend income of €200 million (2019: €0 million) and the non taxable impairment reversal of €219 million (2019: non deductible impairment charge of €409 million), the result before income taxes would have been €(42) million (2019: €0 million), which with income taxes unchanged at €(11) million (2019: €0 million) would have resulted in an effective income tax rate of 26.6% (2019: 0%).

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 2020 amounts to €3 million (2019: €0 million).

6.3 Cash flow performance and equity development

6.3.1 Net cash (used in)/from operating activities

The increase in net cash from operating activities from €(38) million in 2019 to €99 million in 2020 mainly related to the change in pension liabilities and income taxes received. The company received €81 million from its subsidiaries relating to the final payment of the transitional pension plans that will be paid to the pension fund in the coming years. In 2020, the total cash outflow for interest paid of €6 million (2019: €4 million) mainly related to interest on PostNL's long-term borrowings. In 2020, the company received income taxes totalling €25 million (2019: €32 million paid) 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 2020, net cash from investing activities amounted to €(99) million (2019: €(187) million) and related to dividend received from the company's subsidiaries of €200 million (2019: €0 million) offset by changes in accounts receivable from Group companies of €(299) million (2019: €(71) million), mainly related to an intercompany receivable from PostNL Finance B.V. In 2019, the net cash from investing activities included a capital contribution to PostNL Holding B.V. of €117 million.

6.3.3 Net cash (used in)/from financing activities

In 2020, the net cash from financing activities amounted to €0 million (2019: €225 million). In 2019, the net cash from financing activities included the final 2018 cash dividend paid of €48 million, interim 2019 cash dividend paid of €23 million and the proceeds of a new eurobond of €296 million.

6.3.4 Equity

As at 31 December 2020, equity amounts to €2,546 million (2019: €2,129 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 Mail is a legal reserve and is restricted for distribution.

As at 31 December 2020, the revaluation reserve of €1,978 million (2019: €1,759 million) related to the applied deemed cost approach for the investments in Mail as of 1 January 2010, partly offset by the net recorded impairment charges of €604 million.

During 2020, the other reserves decreased to €(22) million from €602 million, mainly due to the appropriation of net income for 2019 of €432 million and a reclassification to the revaluation reserve of €219 million, partly offset by a positive pension effect within other comprehensive income of €25 million.

6.4 Corporate statement of financial position

6.4.1 Investments in Mail

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.

205

The movement in the Investments in Mail is as follows:

PostNL N.V. Investments in Mail in € million

2019, 2020

	2019	2020
Balance at 1 January	3,075	2,783
Additions to capital	117	
Reversal impairment/(impairment)	(409)	219
Balance at 31 December	2,783	3,002

The subsidiary undertakings of the company as at 31 December 2020, and the company's percentage interest, are set out below.

PostNL N.V. Breakdown corporate investments

2020

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 Mail investments. 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 value in use as this was higher than the fair value less costs of disposal at year end 2020. The value in use has been estimated on the basis of the present value of future cash flows. For all investments, the estimated future cash flows are based on a five-year (2019: eight-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 Mail investments' valuations varies around 10.0% (2019: around 9.5%). The difference is predominantly caused by the increased Dutch Corporate Income Tax rate.

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 Mail investments are vulnerable to changes in the discount rate and changes in operating income, a sensitivity analysis has been performed for the Mail 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 Mail investments by around €190 million (2019: €230 million). A change in operating income of 5% would impact the Mail investments by around €90 million (2019: €90 million).

The detailed review of the value of the Mail investments resulted in the recoverable value being €219 million higher than their carrying value. The recoverable value of the continuing operations was derived from the 2020 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 keep up with market dynamics, and the impact of regulation within Mail in the Netherlands. 2020's business performance, strict working capital management, cash proceeds from the sale-and-leaseback transaction and the agreement with the pension fund have all contributed positively to this increase in value. Based on the detailed review, management concluded that an impairment reversal of €219 million was present for the Mail investments. Consequently, management recorded an impairment reversal of €219 million in 2020 (2019: impairment charge of €409 million). Within equity, the revaluation reserve associated with the initial revaluation of the Mail investments has been increased by the impairment reversal amount.

In 2019, the additions to capital of €117 million related to a capital contribution to PostNL Holding B.V.

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 €33 million (2019: income of €7 million), whereas the consolidated financial statements record defined benefit pension expenses of €135 million (2019: €113 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

2019, 2020

	2019	2020
Change in benefit obligation		
Benefit obligation at beginning of year	(8,340)	(9,367)
Service costs	(109)	(134)
Interest costs	(150)	(86)
Other movements	(21)	(287)
Actuarial (losses)/gains	(981)	(588)
Benefits paid	234	237
Benefit obligation at end of year	(9,367)	(10,226)
Change in plan assets		
Fair value of plan assets at beginning of year	8,360	9,507
Assumed return on plan assets	150	86
Other movements	25	307
Deferred payment transitional plans		(80)
Participants contributions	122	91
Employer contributions	3	0
Other costs	(9)	(9)
Actuarial (losses)/gains	1,090	559
Benefits paid	(234)	(237)
Fair value of plan assets at end of year	9,507	10,225
Change in funded status		
Funded status at the beginning of year	20	140
Operating expenses (incl. participants contributions)	8	(32)
Interest (expenses)/income	0	1
Employer contributions	3	0
Deferred payment transitional plans		(80)
Actuarial (losses)/gains	109	(29)
Funded status at end of year	140	(0)
Impact of pension asset ceiling	(140)	
Impact of minimum funding requirement		(80)
Netted pension liabilities	0	(81)
Components of employer pension expenses		
Service costs	(109)	(134)
Interest (expenses)/income	(1)	(1)
Other costs	(5)	11
Participants contributions	122	91
Post-employment benefit income/(expenses)	7	(33)
Weighted average assumptions as at 31 December		
Discount rate	0.9%	0.3%
Rate of benefit increases	0.9%	0.8%
Life expectancy 65 year old men/women (in years)	21.4/23.3	21.0/23.0

6.4.3 Accounts receivable from Group companies

As at 31 December 2020, accounts receivable from Group companies amounted to €323 million (2019: €25 million) which related to a receivable from PostNL Finance B.V. (2019: €22 million). 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 2020, the eurobonds amounted to €696 million non-current (2019: €695 million). For the disclosure on the eurobonds, reference is made to notes 4.1 and 4.5 to the consolidated financial statements.

In 2020, the non-cash changes in the total debt amounted to €1 million (2019: €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

2019, 2020

Year ended at 31 December	2019		2020	
	Equity	Income	Equity	Income
Consolidated: Equity and total comprehensive income	(21)	3	219	237
Reconciliation items previous years	2,547		2,150	
Reversal impairment/(impairment) Mail investments	(409)	(409)	219	219
Results from investments	(4)	(4)	(43)	(43)
Other comprehensive income (CTA/hedges/associates/pensions)	17	17	1	1
Other direct equity movements	(1)			
Total reconciliation items	2,150	(396)	2,326	176
Corporate: Shareholders' equity and total comprehensive income	2,129	(393)	2,546	413

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 Mail investments 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 €2,150 million in 2020 relate to the difference between the consolidated equity as at 31 December 2019 of €(21) million and the corporate equity of €2,129 million at that date.

For details of the reversal of the impairment of the Mail investments recognised in the corporate financial statements in 2020, see note 6.4.1 to the corporate financial statements.

The 2020 results from investments were €43 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 Mail investments of €219 million, minus the result from the consolidated income statement of €213 million (and rounding). The difference relates to the difference between the dividend income and the result from the Mail investments. The 2019 results from investments were €4 million lower in the corporate financial

statements and can be calculated from the result from the corporate income statement of €(409) million, plus the impairment of the Mail investments of €409 million, minus the result from the consolidated income statement of €4 million. The difference relates to the difference between the dividend income and the result from the Mail investments.

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 2020 difference in other comprehensive income of €1 million included €0 million of actuarial losses on pensions and €(1) million other items. The 2019 difference in other comprehensive income of €17 million included €(21) million of actuarial losses on pensions, €3 million of the change in value of financial assets at fair value through OCI and €1 million other items.

Commitments and contingencies

Declaration of joint and several liability

At 31 December 2020, 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

2020

Cendris Customer Contact B.V.	PostNL E-commerce Services B.V.
DM Productions B.V.	PostNL Finance B.V.
G3 Worldwide Mail N.V.	PostNL Holding B.V.
Koninklijke PostNL B.V.	PostNL Pakketten Benelux B.V.
Logistics Solutions B.V.	PostNL Real Estate B.V.
PostNL Cross Border Solutions B.V.	PostNL TGN B.V.
PostNL Customer Excellence B.V.	PostNL Transport B.V.
PostNL Data Solutions 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 €400 million;
- bank guarantee facilities of €85 million;
- ordinary business activities of the Group of €100 million;
- ISDA agreements;
- payment guarantee for self-insurance of WGA ("Werkhervatting Gedeeltelijk Arbeidsongeschikten") 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

2019, 2020

Year ended at 31 December	2019		2020	
	Transactions	Balances	Transactions	Balances
Dividend income PostNL Group companies	0		200	
Accounts receivable from PostNL Group companies/interest income		25		323
Accounts payable to PostNL Group companies/interest expense	(1)			
Net investing activities from accounts receivable from Group companies	(71)		(299)	
Income tax received from/(paid to) PostNL Group companies			33	

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 2020

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 2020

In accordance with our dividend policy, the condition for paying out dividend is a leverage ratio (adjusted net debt/EBITDA) not exceeding ~2. This condition was met per year-end 2020 (leverage ratio: 1.0). The Board of Management has decided, with the approval of the Supervisory Board, subject to shareholders approval at the 2020 Annual General Meeting of Shareholders, to declare a final dividend of €0.28 per ordinary share over 2020. 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 €250 million out of corporate profit of €388 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 €139 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 that no 2020 interim dividend has been paid, the proposed 2020 final dividend has been set at €0.28 per ordinary share of €0.08 nominal value, based on the outstanding number of 494,991,389 ordinary shares as per 31 December 2020. The dividend of €0.28 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 22 April 2021, the record date is 23 April 2021 and the election period will start on 26 April 2021 and will end on 11 May 2021 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 7 May 2021 up to and including 11 May 2021. 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 14 May 2021.

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

2020

	2020
Result attributable to the shareholders	388
Appropriation in accordance with the articles of association:	
Reserves withdrawn by the Board of Management and approved by the Supervisory Board (article 31, paragraph 2)	(250)
Dividend on ordinary shares	139
(Interim) dividend paid in cash	0
Final dividend	139

212

The Hague, the Netherlands, 1 March 2021

Board of Management

Herna Verhagen (CEO)

Pim Berendsen (CFO)

Supervisory Board

Jan Nooitgedagt (Chairman)

Eelco Blok

Jeroen Hoencamp

Agnes Jongerius

Marike van Lier Lels

Ad Melkert

Thessa Menssen

PostNL N.V.

Prinses Beatrixlaan 23

2595 AK The Hague

The Netherlands

21 Non-financial statements

213

Non-financial performance indicators	214
Basis of preparation	216
Customer value performance indicators	225
Social value performance indicators	227
Environmental value performance indicators	231

Non-financial performance indicators

PostNL Customer value performance indicators

Year ended at 31 December	Notes	2016	2017	2018	2019	2020
Key performance indicators						
Share of highly satisfied customers	2.1	38%	41%	30%	27%	37%
Share of satisfied customers	2.1	86%	85%	82%	80%	83%
Share of e-commerce revenue	2.2	40%	44%	48%	52%	57%
Delivery quality Parcels in the Netherlands ¹	2.3	99%	99%	98%	98%	99%
Delivery quality Mail in the Netherlands (2020 preliminary)	2.3	96%	95%	95%	94%	94%
Other performance indicators						
Reputation score (on a 0-100 scale)	2.1	67.8	69.7	67.7	67.1	73.9
ISO 9001 certification (percentage of total FTE working in certified sites)	2	100%	100%	100%	100%	100%

¹ 2016 - 2019 not audited

PostNL Social value performance indicators

Year ended at 31 December	Notes	2016	2017	2018	2019	2020
Key performance indicators						
Share of engaged employees ¹	3.1	not comparable	not comparable	not comparable	76%	84%
Other performance indicators						
Headcount (scope of non-financial reporting)	3.2	41,497	38,965	37,785	35,721	40,541
FTE (scope of non-financial reporting)	3.2	20,730	20,791	20,421	20,528	22,304
Training hours per FTE	3.3	17	17	22	26	21
Share of females in management positions	3.4	24%	21%	21%	22%	23%
Share of females in senior management positions	3.4	not reported	not reported	25%	27%	28%
Fatal accidents	3.5	1	1	2	3	1
Recordable accidents (per 100 FTE)	3.5	not reported	not reported	4.7	4.2	4.0
Absenteeism (share of total working days)	3.5	5.0%	5.2%	5.9%	5.4%	5.9%
ISO 45001 certification (percentage of total FTE working in certified sites)	3.5	100%	100%	100%	100%	100%

¹ New method in 2019. Results 2016 - 2018 not comparable

PostNL Environmental value performance indicators

Year ended at 31 December	Notes	2016	2017	2018	2019	2020
Key performance indicators						
CO ₂ efficiency improvement (scope 1 and 2; base year 2017)	4.1	0%	base year 0%	(2%)	(8%)	(10%)
Share of emission-free delivery of mail and parcels in the last-mile	4.1	not reported	not reported	17%	19%	20%
Other performance indicators						
Scope 1 GHG emissions (gross in ktCO ₂ e)	4.2	41	36	37	40	40
Scope 2 GHG emissions (gross in ktCO ₂ e)	4.2	4	0	0	0	0
Scope 3 GHG emissions (gross in ktCO ₂ e)	4.2	220	211	194	187	199
Total GHG emissions (gross in ktCO₂e)	4.2	265	247	231	227	239
Energy consumption (total scope 1 and 2 in TJ)	4.3	925	894	939	933	1031
Energy efficiency buildings (TJ/1000 m ²)	4.4	0.56	0.51	0.58	0.47	0.49
Energy efficiency fleet (in MJ/km)	4.5	5.3	5.3	5.5	5.6	6.4
NO _x emissions (scope 1 in kg)	4.6	39,420	37,668	35,935	39,282	43,202
NO _x emissions (scope 1 in g/km)	4.6	0.50	0.46	0.43	0.42	0.42
PM ₁₀ emissions (scope 1 in kg)	4.6	615	628	651	734	825
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	19%	48%	76%	80%	84%
Share of vehicles complying with Euro 5	4.6	81%	52%	24%	20%	16%
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 annually through an online submission its progress of implementing the ten UN Global Compact principles. 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 make impact on all 17 both with our own operations and/or indirectly through our value chain. We take action on all SDGs and on group level we apply a focused approach. 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 four main SDGs on which we are focusing. 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 pro-actively 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.

PostNL SDG 8 Decent work and economic growth

PostNL topic	Link to SDG sub goal (doing good)	Link to SDG sub goal (avoiding harm)
Engaged people	8.5 Sustainable employability	8.8 Provide favourable working conditions
Labour conditions	N/A	8.8 Protecting Human Rights
Diversity and inclusion	8.5 Inclusive workforce	8.5 Reduce inequalities
Health and safety	N/A	8.8 Prevent accidents and sickness
E-commerce growth	8.1 Contribute to sector growth	N/A
Relevance of physical mail	8.2 Achieve higher levels of economic productivity	8.1 Response to market decline
Innovation	8.2 Higher levels of economic productivity	N/A
Digitalisation and data	8.2 Higher levels of economic productivity	8.2 Full employment

PostNL SDG 9 Industry, innovation and infrastructure

PostNL topic	Link to SDG sub goal (doing good)	Link to SDG sub goal (avoiding harm)
Relevance of physical mail	9.1 Accessible, reliable and affordable mail	N/A
Sustainable logistics	9.4 Upgrade infrastructure, clean and environmentally sound technologies and processes	N/A

PostNL SDG 12 Sustainable production and consumption

PostNL topic	Link to SDG sub goal (doing good)	Link to SDG sub goal (avoiding harm)
Responsible supply chain	12.7 Promote sustainable supply chain	12.7 Avoid non-compliance in procurement practices
Information and interaction	12.6 Integrate sustainability in reporting cycle	12.6 Avoid cherry picking, ensure completeness
Air pollution	N/A	12.4 / 12.5 significantly reduce waste to air, soil and water to minimise adverse impacts on humans and environment
Circular economy	12.7 Collaborate with partners to promote a more sustainable supply chain	12.2 Sustainable and efficient use of natural resources

PostNL SDG 13 Climate action

PostNL topic	Link to SDG sub goal (doing good)	Link to SDG sub goal (avoiding harm)
Emission-free delivery	13.2 Improve education and awareness about climate change adaptation, mitigation and impact reduction	13.2 Reduce impact on climate change by implementing measures
Sustainable logistics		
Energy efficiency	N/A	13.2 Reduce impact on climate change by implementing measures

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
<ul style="list-style-type: none"> Governance 	<ul style="list-style-type: none"> Board oversight Role of management 	<ul style="list-style-type: none"> Chapter 'Corporate governance'
<ul style="list-style-type: none"> Strategy 	<ul style="list-style-type: none"> Risks and opportunities Impact of risks and opportunities Resilience of the organisation 	<ul style="list-style-type: none"> Chapter 'Risk and opportunity management' Chapter 'Our strategy'
<ul style="list-style-type: none"> Risk Management 	<ul style="list-style-type: none"> Processes for identifying and assessing risks Processes for managing risks Integration into overall risk management 	<ul style="list-style-type: none"> Chapter 'Risk and opportunity management'
<ul style="list-style-type: none"> Targets 	<ul style="list-style-type: none"> Metrics used to assess GHG Emissions Targets 	<ul style="list-style-type: none"> Chapter 'Environmental value' Chapter 'Non-financial statements, section Environmental performance indicators'

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 Appendix 'Our operating context' chapter. 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. Due to the restrictions in relation to the Covid-19 pandemic, we were not able to organise our large stakeholder dialogue event in 2020. During the year, we have seen increased engagement with several stakeholder groups on specific topics in relation to sustainable development. We held a digital round table with suppliers on Human Rights and engaged with customers on climate change mitigation for example. 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 2020, we used the matrix of prior 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 • 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 great 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 2019 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', 'Emission-free delivery' and 'Sustainable logistics', this influence is also impacted by indirect activities, mainly through activities carried out by others working for PostNL.

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 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.

222

We have sold 80% of the activities of Nexive on 1 July 2020. As the non-financial information of Nexive until this date was immaterial for our non-financial reporting over 2020, we do no longer report any figures on Nexive in line with the policy described above.

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 performance of relevant parties in our value chain. Examples include information about fatal accidents where delivery partners of PostNL may be involved in. But also the CO₂ emissions and kilometres of our transport 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 accurate and complete 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 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 in 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 the networks 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 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

We use several sources to calculate the amount of kilometres transported to deliver mail by foot or bike. All kilometres can be accurately determined based on actual data, except for three parts of the routes. For so-called sub-routes (between street and mailbox) we calculate the transported kilometres based on the estimated hit-rate percentage of addresses that receive mail. Secondly, the estimated distance between the street and mailbox for every individual address. This is because not every household receives mail on a daily basis. The other estimate we use is related to part of the kilometres driven by e-bikes. Finally, the kilometres in relation to re-loading of mailbags at depots. Mail deliverers may charge these bikes either at home or at a PostNL location. We estimate the kilometres to return the bike to a PostNL location based on share of routes based on an assumed share of applicable routes.

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. The 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 subcontracted 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 UK government department for environment, food and rural affairs (DEFRA) as a basis. These factors are based on the annual submission of the GHG inventory for the UK to the United Nations Framework Convention of Climate Change (UNFCCC) which is prepared in accordance with the guidelines of the Intergovernmental Panel on Climate Change (IPCC). The conversion factors of electricity use outside the UK are not provided by DEFRA, 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). For the emissions of the discontinued operations in Germany and Italy, we calculate the emissions based on a combined average CO₂ per euro revenue of Deutsche Post DHL and Royal Mail using data from their latest published Annual Reports.

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 thereto 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. In 2020, there were no material data revisions.

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 and loyalty, 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 big 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 of defence) and control department (second line of defence). This includes decentral 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' chapters)
- Non-financial performance statements (excluding Assurance report of the independent auditor).

Section 2: Customer value performance indicators

PostNL Customer value performance indicators as indicated

2016 - 2020

Year ended at 31 December	2016	2017	2018	2019	2020
Key performance indicators					
Share of highly satisfied customers	38%	41%	30%	27%	37%
Share of satisfied customers	86%	85%	82%	80%	83%
Share of e-commerce related revenues	40%	44%	48%	52%	57%
Delivery quality Parcels in the Netherlands ¹	99%	99%	98%	98%	99%
Delivery quality Mail in the Netherlands (2020 preliminary)	96%	95%	95%	94%	94%
Other performance indicators					
Reputation score (on a 0-100 scale)	67.8	69.7	67.7	67.1	73.9
ISO 9001 certification (percentage of total FTE working in certified sites)	100%	100%	100%	100%	100%

¹ 2016 - 2019 not audited

2.1 Customer satisfaction and reputation

Customer satisfaction

We measure customer satisfaction twice a year through an online survey performed by an independent external research company. In 2020, we invited more than 65,500 customers, both business customers and consumers, to participate (2019: 70,000) and our response rate was 9% (2019: 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.

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 slight decrease in the last two years, we noted a significant increase of our reputation score in 2020. Our reputation is being measured on seven different aspects of doing business, and our reputation has improved on all aspects compared to 2019. In our strategy, we aim to strengthen our brand and our reputation going forward.

2.2 Share of e-commerce related revenue

We measure the share of e-commerce related revenues from our total revenues to evaluate our progress on our transformation to become *the* logistics and postal solutions provider in, to and from the Benelux. We use the revenues from contracts with customers at Parcels as nominator in our calculation. This is a simplified method to calculate our progress, which gives a conservative score on our performance as some of our mail services are also related to e-commerce. Excluding these revenues in this metric, does not influence the overall view on our progress. We also use different qualitative factors to evaluate the progress. More information about the developments in relation to our progress can be found in the 'Customer value' chapter.

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

Our e-commerce customers increasingly view the quality of our core services as a qualifier in doing business. Steering on high quality levels is therefore essential if we are to continue making progress with our strategy. 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 2016 - 2019 are disclosed for comparability only, and have not been audited.

Despite the increased pressure on our organisation as a result of the steep volume growth in 2020, we managed to exceed our 98% target by 1% with a stable performance throughout the year. More information can be found in the 'Customer value' chapter.

Mail in the Netherlands

Under the USO, PostNL delivers mail posted in letterboxes across the country five days a week. For funeral mail this is six days a week. The USO prescribes that 95% of this mail needs to be delivered by the next day. In 2020, we did not reach this 95% delivery target for the full year. This is a preliminary result as the ACM will determine the final result based on an official report we will file in May 2021. More information is provided in the 'Customer value' chapter.

Section 3: Social value performance indicators

3.1 Employee engagement and culture

PostNL Employee engagement as indicated

2016 - 2020

Year ended at 31 December	2016	2017	2018	2019	2020
Share of engaged employees ¹	not comparable	not comparable	not comparable	76%	84%

¹ New method in 2019. Results 2016 - 2018 not comparable

Until 2018 PostNL measured its company-wide employee engagement through an annual survey, and only included employees with a PostNL labour agreement. 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 is not comparable with the results of the new methodology. Due to the Covid-19 pandemic, we decided to cancel the first measurement in May 2020. Given the Covid-19 pandemic, the timing was not appropriate for our people as their main concern was health and safety. We carried out the survey in October 2020 just before the second wave of the pandemic. Based on a relatively high response rate, the improved score in 2020, both compared to the October survey of 2019 (80%) and the average result (76%), is deemed representative. More information on the scores can be found in the 'Social value' chapter.

For a large group of hired people, namely deliverers working for delivery partners, we measure satisfaction annually through a collaboration barometer. This Dutch survey provides valuable insights on where we can improve. More information can be found in the 'Social value' chapter.

3.2 Employment

PostNL Workforce as indicated

2016 - 2020

Year ended at 31 December	2016	2017	2018	2019	2020
Headcount (scope of non-financial reporting)	41,497	38,965	37,785	35,721	40,541
FTE (scope of non-financial reporting)	20,730	20,791	20,421	20,528	22,304

The total workforce of PostNL increased by 13.5% in 2020, while the number of FTEs increased by 8.7%. At Mail, we welcomed around 4,000 mail deliverers and 300 staff employees from Sandd and hired more than 1,000 new employees to fill the vacancies that remained following the integration. At Parcels, we welcomed additional employees to bolster the growing business. In 2020 we also hired office staff, for example to accelerate our digital transformation. 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 CLA's.

The share of female employees at year end increased slightly to 49% (2019: 48%) 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 90% of our headcount. The other 10% is extrapolated for the other, smaller entities.

PostNL Workforce by gender as indicated

2016 - 2020

Year ended at 31 December	2016	2017	2018	2019	2020
Male	22,226	21,049	19,583	19,299	18,432
Female	21,022	20,448	19,382	18,486	17,289
Balance at 1 January	43,248	41,497	38,965	37,785	35,721
Male	6,079	5,694	6,037	5,359	7,773
Female	6,469	6,246	5,249	4,154	7,667
New hires	12,548	11,940	11,286	9,513	15,440
Male	7,256	7,160	6,321	6,226	5,580
Female	7,044	7,312	6,145	5,351	5,040
Turnover	14,299	14,472	12,466	11,577	10,620
Male	21,049	19,583	19,299	18,432	20,625
Female	20,448	19,382	18,486	17,289	19,916
Balance at 31 December	41,497	38,965	37,785	35,721	40,541

As a result of the integration with Sandd, we welcomed a relative high share of mail deliverers over 50 years of age. At the same time the other new hires we welcomed represents a mix in age categories. The acquisition of Sandd took place towards the end 2019, therefore the non-financial data was not reported in the 2019 Annual Report.

228

PostNL New hires as indicated

2016 - 2020

Year ended at 31 December	2016	2017	2018	2019	2020
< 30 years	5,108	5,251	5,509	4,550	6,055
30 - 50 years	4,034	3,799	3,251	2,842	4,439
>50 years	3,407	2,890	2,527	2,120	4,946
Total by age group	12,548	11,940	11,286	9,513	15,440
Male (share of total headcount)	27%	27%	31%	27%	42%
Female (share of total headcount)	31%	31%	27%	23%	45%
Total (share of total headcount)	29%	29%	29%	25%	43%

In 2020, the employee turnover rate slightly improved. Investments in onboarding and better coaching during the first period of employment, as well as the effects of Covid-19 on the labour market helped to reduce the percentage of voluntary turnover in 2020.

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

2016 - 2020

Year ended at 31 December	2016	2017	2018	2019	2020
< 30 years	5,883	5,766	5,048	4,696	4,170
30 - 50 years	4,278	4,432	3,806	3,417	2,807
>50 years	4,138	4,274	3,612	3,464	3,643
Total by age group	14,299	14,472	12,466	11,577	10,620
Male (share of total headcount)	33%	34%	32%	32%	30%
Female (share of total headcount)	34%	36%	32%	29%	29%
Total (share of total headcount)	33%	35%	32%	31%	30%
Total voluntary turnover	17%	20%	20%	18%	17%

3.3 Recruitment and career development

PostNL Recruitment and career development as indicated

2016 - 2020

Year ended at 31 December	2016	2017	2018	2019	2020
Training hours per FTE	17	17	22	26	21

During 2020, we saw a decrease in the number of training hours per FTE. Operational trainings form the bulk of all training hours within PostNL. The relatively low rate of employee turnover as a result of Covid-19, combined with a decrease in early turnover (within 2 months of employment), which is as a result of more focus on adequate onboarding for new joiners, were the main drivers behind the decrease in training hours per FTE. In addition, we were limited in the amount of face-to-face trainings due to the restrictions following the Covid-19 pandemic.

229

3.4 Diversity and inclusion

PostNL Diversity and inclusion as indicated

2016 - 2020

Year ended at 31 December	2016	2017	2018	2019	2020
Share of females in management positions	24%	21%	21%	22%	23%
Share of females in senior management positions	not reported	not reported	25%	27%	28%

Both the company-wide share of females in management positions and the share of females in senior management positions increased by 1 percentage point. Continuous focus on diversity and inclusion in our recruitment and development activities contribute to making progress on our ambition to increase the diversity and inclusion at management level.

With 43% of positions held by females, gender diversity in our Executive Committee is relatively high. We have initiatives in place, such as the Agora network and the Women Inclusion Network (WIN), to promote diversity in the workplace. In the management layer just below executive level, we continue to focus on diversity, as we aim to see the share of females in management positions better reflect the share of females in our workforce. We have specific programmes in the Netherlands that we commit to, for example to contribute to the Talent to the Top Charter. More information can be found in the 'Social value' chapter.

3.5 Health and safety

PostNL Health and safety as indicated

2016 - 2020

Year ended at 31 December	2016	2017	2018	2019	2020
Fatal accidents	1	1	2	3	1
Recordable accidents (per 100 FTE)	not reported	not reported	4.7	4.2	4.0
Absenteeism (share of total working days)	5.0%	5.2%	5.9%	5.4%	5.9%
ISO 45001 certification (percentage of total FTE working in certified sites)	100%	100%	100%	100%	100%

Despite our efforts and initiatives on health and safety, we deeply regret having to report one fatal accidents across our Parcel operations in 2020 (2019: 3). One of our delivers was involved in a accident with a cyclist who unfortunately died.

The recordable accident rate has been stable throughout 2020 and slightly improved compared to 2019.

The absenteeism rate increased to 5.9% in 2020 (2019: 5.4%), 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.

Section 4: Environmental value performance indicators

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 2020.

PostNL CO₂ efficiency as indicated

2017 - 2020

Year ended at 31 December	2017	2018	2019	2020
CO ₂ efficiency (scope 1 and 2 emissions in grams CO ₂ e per km)	226	231	245	249
CO ₂ efficiency improvement (scope 1 and 2; base year 2017)	base year 0%	(2%)	(8%)	(10%)
Share of emission-free delivery of mail and parcels in the last-mile	not reported	17%	19%	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 fleet in 3 - 5 years time. We expect to include this indicator 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 kilometre 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.

Emission-free delivery

In 2018, we introduced a target to deliver 100% of our mail and parcels 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 2020, which was mainly a result of the 50 million kilometres we travelled by foot and bicycle to deliver mail in the Netherlands. Integration with Sandd and Covid-19 both resulted in an increase in mail volume in 2020 which resulted in a more efficient network and more emission-free kilometres. Due to the increase in volume, deliverers had to reload bikes more often. We also started to replace vans with electric motor cycles and e(-cargo) bikes in our mail operations. We expect to see a further increase when we implement the next phase of the New mail route.

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

2016 - 2020, in kilotonnes CO_{2e}

Year ended at 31 December	2016	2017	2018	2019	2020
Natural gas and heating fuel	8	7	6	5	0
Fuel for large trucks	20	20	22	25	30
Fuel for small trucks and vans	13	9	9	10	11
Total gross scope 1 emissions	41	36	37	40	40
Compensated emissions heating fuel (CO ₂ credits)	0	0	0	0	0
Compensated emissions for natural gas usage (CO ₂ credits)	(2)	(6)	(6)	(5)	0
Total net scope 1 emissions	39	30	31	35	40
Electricity consumed	3	0	0	0	0
District heating	1	0	0	0	0
Total gross scope 2 emissions	4	0	0	0	0
Compensated emissions	(4)	0	0	0	0
Total net scope 2 emissions	0	0	0	0	0
Company cars	4	5	6	4	3
Business travel by air	1	0	0	0	0
Employee commuting	not reported	19	19	21	21
Outsourced transport by road	130	114	113	113	129
Outsourced transport by air	85	73	56	49	46
Total gross scope 3 emissions	220	211	194	187	199
Compensated emissions company cars	(4)	(5)	(6)	(4)	(3)
Compensated emissions business travel by air	(1)	0	0	0	0
Compensated emissions employee commuting	not reported	0	0	(21)	(21)
Total net scope 3 emissions	215	206	188	162	175
Total gross emissions	265	247	231	227	239
Total net emissions	254	236	219	197	215

Scope 1

Our gross scope 1 emissions were similar to 2019. While our carbon footprint of our transport activities increased, we realised a decrease in the emissions from natural gas and heating fuel. 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. This led to a decrease of emissions by 5 kilotonne CO₂.

The 6 kilotonnes increase in transport related CO₂ is mainly related to the carbon emissions of our large trucks, due to the higher volumes of parcels we transported. In total, we transported 28% more kilometres by large trucks. 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 was partly offset by the introduction of renewable diesel for around 10% of the total diesel consumption. In addition, we expanded our large truck LNG fleet in 2020 which partly replaced less fuel efficient diesel trucks.

Scope 2

Our gross scope 2 emissions remained stable at 0 kilotonnes in 2020 (2019: 0). Our nominal electricity consumption slightly increased by 80 million kWh in 2020 (2019: 77 million kWh). The reasons for the increase 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.

Scope 3

The gross scope 3 emissions grew by 6% compared to 2019. The majority of these emissions are related to outsourced transport activities both in the Benelux and beyond.

Outsourced transport

The total emissions from outsourced transport increased by 13 kilotonnes to 175 in 2020. Main developments that contribute to this 8% increase are:

- More outsourced activities in the Benelux as result of the growth in e-commerce, particularly at large transport and parcel delivery in Belgium (+8.5 ktCO₂);
- Business growth at Spring and increase of e-commerce export from the Netherlands resulting in volumes to be transported. (+4 ktCO₂)
- Decrease of international emissions as result of shifting from air to road for more European destinations, together with relative growth to European destinations compared to international volumes (-4 ktCO₂)
- Divestment in Spotta (-2.5 ktCO₂)
- Data quality improvements for smaller logistic networks (+7 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 and employee commuting. This was offset by an increase in employee commuting due to the growth of our workforce.

We purchased Gold Standard credits to offset 21 kilotonnes of carbon emissions from company cars and business travel and employee commuting, resulting in net scope 3 CO₂ emissions of 175 kilotonnes (2019: 162 kilotonnes).

4.3 Energy consumption

PostNL Energy consumption as indicated

2016 - 2020

Year ended at 31 December	2016	2017	2018	2019	2020
Energy consumption buildings (in TJ)	457	404	417	357	374
Energy consumption fleet (in TJ)	467	489	521	576	657
Total energy consumption	925	893	939	933	1,031

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 increased compared to previous year by 5%. Main reason was increase in volume. Due to the scale up at our Parcel operation we were delivered 19% more parcels than in 2019. Consequently, we increased our sorting capacity leading to an increase in operating ours of our sorting centres and therefore an increase in energy consumption. Comparable to parcels, we saw also volume increase in greeting cards and gifts in both waves of the pandemic at Mail. This led to extra delivery days and therefore extra sorting capacity. On the other side we continued to invest in LED lighting in our operational buildings which reduces energy consumption by around 50%. With solar panels on the roofs of most of our parcel sorting centres, we generate almost half of the electricity demand of these centres ourselves in a renewable way.

Fleet

Energy consumption of our own fleet increased by 14% in 2020 compared to 2019. This increase is mainly due to increasing volumes in our parcel network, requiring more transport activity from large trucks. 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 gasoline scooters. We also saw load factors going up in our parcel delivery, which increases the energy efficiency per parcel.

The expected growth in our activities will likely result in a higher energy demand in coming years. 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.

4.4 Energy efficiency of buildings

PostNL Buildings as indicated

2016 - 2020

Year ended at 31 December	2016	2017	2018	2019	2020
Energy consumption from natural gas (in TJ)	121	96	92	73	84
Energy consumption from heating oil (in TJ)	3	3	3	3	2
Energy consumption from electricity (in TJ)	320	297	315	277	285
Energy consumption from district heating (in TJ)	14	8	8	5	4
Total energy consumption from buildings (in TJ)	457	404	417	357	374
Share of solar energy from total energy consumption in buildings	0%	0%	5%	6%	7%
Energy efficiency (in TJ /1,000 m²)	0.56	0.51	0.58	0.47	0.49

Weather conditions and longer opening hours of sorting centres led to higher energy use. Heating buildings by natural gas and heating oil used 13% more energy. Our electricity consumption grew by 2.9%, which is low compared to the increase in volumes we processed. The LED lighting we installed at most of our parcel sorting centres partly offset the extra energy consumed by our sorting machines.

2020 was a productive year in terms of solar energy. The share of renewable electricity compared to our total energy consumption grew from 6% to 7%. This represents around 49% of the parcel sorting centres' total annually energy consumption which is 10% higher compared to 2019.

Due to the more intensive use of our sorting centres, the energy consumption per square meter slightly increased compared to 2019.

4.5 Energy efficiency of fleet

PostNL Fleet as indicated

2016 - 2020

Year ended at 31 December	2016	2017	2018	2019	2020
Energy consumption from large trucks and vans (in TJ)	266	275	297	340	419
Energy consumption from small trucks and vans (in TJ)	190	204	213	226	230
Energy consumption from scooters and bikes (in TJ)	11	11	11	9	8
Total energy consumption from fleet (in TJ)	467	490	521	576	657
Energy efficiency (in MJ/km)	5.3	5.3	5.5	5.6	6.4

The energy consumption of our large trucks increased by 23% compared to 2019. This was a result of the increase in volume in combination with transporting a higher share of kilometres with our own trucks, compared to outsourced kilometres. On the other hand we invested in LNG large trucks that are more efficient in terms of energy consumption. A part of these LNG trucks replaced diesel trucks and at the same time we also used part of these for our fleet expansion.

The energy consumption of small trucks marginally increased during 2020. 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 amount of electric kilometres with e-cargo bikes and the replacement of gasoline scooters by electric scooters, the energy consumption from scooters and bikes decreased by 1 TJ. Electric scooters consume less energy compared to gasoline scooters.

Due to the increase in use of large trucks, the share of large truck kilometres in our total mix increased. This resulted in an increase of the energy consumed per kilometre by 14%.

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

2016 - 2020

Year ended at 31 December	2016	2017	2018	2019	2020
NO_x emissions (in kg)					
Large trucks	25,654	25,167	25,986	30,165	34,294
Small trucks and vans	13,766	12,501	9,949	9,117	8,908
Total NO_x emissions	39,420	37,668	35,935	39,282	43,202
NO_x efficiency (g/km)					
Large trucks	0.94	0.87	0.83	0.83	0.76
Small trucks and vans	0.27	0.24	0.19	0.16	0.15
Total NO_x efficiency	0.50	0.46	0.43	0.42	0.42
PM₁₀ emissions (in kg)					
Large trucks	352	361	382	443	529
Small trucks and vans	263	267	269	291	296
Total PM₁₀ emissions	615	628	651	734	825
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

PostNL Compliance with Euro emission norms share per euro norm

2016 - 2020

Year ended at 31 December	2016	2017	2018	2019	2020
Large trucks					
Vehicles complying with Euro 6	68%	68%	73%	69%	81%
Vehicles complying with Euro 5	32%	32%	27%	31%	19%
Small trucks and vans					
Vehicles complying with Euro 6	12%	46%	76%	81%	85%
Vehicles complying with Euro 5	88%	54%	24%	19%	15%
Total					
Vehicles complying with Euro 6	19%	48%	76%	80%	84%
Vehicles complying with Euro 5	81%	52%	24%	20%	16%

In 2020, we continued to further increase the combined percentage of vehicles complying with Euro 6 standards. In 2020 we saw a considerable increase in the percentage of Euro 6 vehicles, as a result of our investment in new LNG trucks.

The absolute emissions from large trucks increased due to growth in kilometres in relation to the volume growth at parcels. The increase in absolute NO_x emissions was 14%. In line with the developments in carbon emissions and energy consumption, the air polluting emissions of small trucks and vans marginally increased compared to last year.

The total relative NO_x emissions in g per km remained stable at 0.42. While both large and small trucks show improvement per kilometre, the total number is influenced by the increase of the number of kilometres driven by large trucks relative to the total kilometres driven.

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 parcels 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

2016 - 2020

Year ended at 31 December	2016	2017	2018	2019	2020
ISO 14001 certification (percentage of total FTE working in certified sites)	100%	100%	100%	100%	100%

236

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.

22 Other information

237

Appropriation of profit	238
Independent auditor's report	239
Assurance report of the independent auditor	247

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 2020.

Section 2: Independent auditor's report

To: the shareholders and Supervisory Board of PostNL N.V.

Report on the audit of the financial statements 2020 included in the Annual Report

Our opinion

We have audited the financial statements 2020 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 2020, and of its result and its cash flows for 2020, 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 and corporate statement of financial position as at 31 December 2020
- The following statements for 2020: the consolidated and corporate income statement, the consolidated and corporate statement 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.

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, transforming from a traditional mail businesses into a logistics service provider. Through their international sales network Spring, they connect local businesses around the world to consumers globally. The group is structured in components and we tailor our group audit approach accordingly. We pay 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, non-compliance with laws and regulations 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.

We were forced to perform our procedures to a greater extent remotely due to the Covid-19 measures. 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 Company using video or teleconferencing facilities) to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Materiality

Materiality	€12 million (2019: €7.5 million)
Benchmark applied	5% of normalised operating income
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. Since current years' operating income is impacted by two material one off transactions, being the gain recorded on the sale-and-leaseback transaction of €60 million and accelerated write-down of Sandd assets of €14 million, we have adjusted operating income to come to a normalized operating income on which we based our materiality.</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 €600,000, 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 of PostNL N.V.

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.

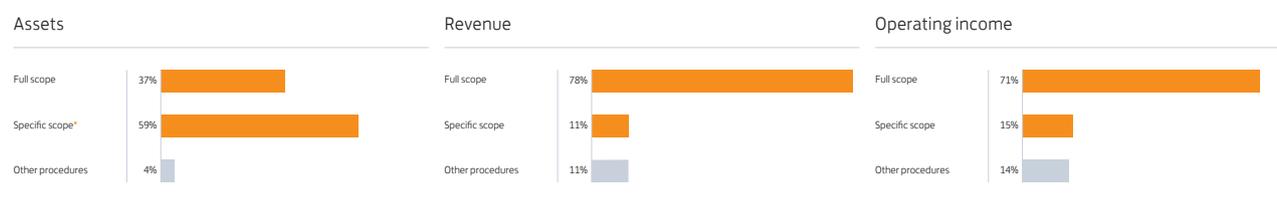
Component materiality was determined by our judgement, based on the relative size of the component and our risk assessment. Component materiality did not exceed €6.0 million and the component auditor applied a component materiality that is significantly less than this threshold.

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.

The group consolidation, financial disclosures and a number of complex items were audited by the group engagement team at the Company's head office. These included among others goodwill and Mail investments impairment testing, the sale-and-leaseback transaction and pensions. We involved several EY specialists to assist the audit team, including specialists from our tax, valuations, real estate, actuarial and treasury departments.

In total, in performing these procedures, we achieved, by performing full and specific scope procedures, the following coverage on the financial line items:

PostNL Coverage on financial line items



* The entities that were assigned a specific scope cover 100% of the related assets.

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 entity level, 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 financial statements.

Use of internal audit

We performed our audit in cooperation with Internal Audit of PostNL, leveraging their in-depth 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 was adequate for our purposes and established what work had to be performed by our own professionals.

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 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. Non-compliance with laws and regulations may result in fines, litigation or other consequences for the Company that may have a material effect on the financial statements.

Our audit response related to fraud risks

In order to identify and assess the risks of material misstatements of the financial statements due to fraud, we obtained an understanding of the entity and its environment, including the entity's internal control relevant to the audit and in order to design audit procedures that are appropriate in the circumstances. As in all of our audits, we addressed the risk of management override of internal control. We do not audit internal control per se for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

We considered available information and made enquiries of relevant executives, directors (including internal audit, integrity office, legal, compliance) and the Supervisory Board. 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. In our risk assessment we considered the potential impact of performance based bonus schemes which the Company has in place.

In our process of identifying fraud risks, we considered whether the Covid-19 pandemic gave rise to specific fraud risk factors resulting from a dilution in the effectiveness of controls as a result of the general disruption associated with remote working, illness, management overrides and workarounds, manual invoicing and manual payments and abuse of government schemes intended to support companies during the pandemic.

We evaluated the design and the implementation of internal controls that mitigate fraud risks. In addition, we performed procedures to evaluate key accounting estimates for management bias in particular relating to important judgement areas and significant accounting

estimates as disclosed in note 3.1.4 of the consolidated primary statements and note 6.4.1 to the corporate primary statements. We have also used data analysis to identify and address high-risk journal entries.

We incorporated elements of unpredictability in our audit. We considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance. If so, we reevaluate our assessment of fraud risk and its resulting impact on our audit procedures.

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, through discussions with the management board, reading minutes and inspection of reports of internal audit and the integrity committee and performing 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. Finally, we obtained written representations that all known instances of non-compliance with laws and regulations have been disclosed to us.

Going concern

We performed the following procedures in order to identify and assess the risks of going concern and to conclude on the appropriateness of management's use of the going concern basis of accounting. 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 assessment with Board of Management exercising professional judgement and maintaining professional scepticism, and specifically focusing on the process followed by the Board of Management to make the assessment, management bias that could represent a risk, the impact of current events and conditions have on the company's operations and forecasted cash flows, with a focus on whether the company will have sufficient liquidity to continue to meet its obligations as they fall due. We consider based on the audit evidence obtained, whether a material uncertainty exists related to 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. 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.

General audit procedures

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
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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

Our key audit matters

Key audit matters are those matters that, in our professional judgement, 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.

In 2019 we identified the acquisition of Sandd and the discontinued operations as key audit matters. Since the determination of the fair value of the assets and liabilities as part of the purchase price allocation was completed in 2019, the 'Acquisition of Sandd' no longer qualifies as a key audit matter in 2020. Furthermore, the key audit matter 'Discontinued operations', which mainly saw to the valuation of the business

unit Nexive and the related deferred tax asset, is no longer considered a key audit matter since Nexive has been sold in 2020 and there is limited judgement in the valuation of the remaining originated deferred tax asset.

In 2020, the Company entered into a sale-and-leaseback transaction for several of their sorting centres which we have identified as a key audit matter.

The below matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our audit approach	Key observations
<p>Sale-and-leaseback transaction</p> <p>In 2020 PostNL entered into a sale-and-leaseback transaction for five of its sorting centres. The total consideration received amounted up to €150 million and a book gain of €60 million was recorded. The sorting centres are leased back for different periods, which vary between 5 and 10 years. PostNL has applied the sale-and-leaseback guidance under IFRS 16.</p> <p>We determined this to be a key audit matter, given the financial significance and complexity in applying IFRS 15 and IFRS 16 to a sale-and-leaseback transaction. First of all it needs to be determined whether the transaction qualifies as a sale in line with the requirements under IFRS 15. Secondly, the determination of the incremental borrowing rate (IBR) and whether the transaction price and the rental amounts are in line with market rates is relevant as these elements significantly impact the valuation of the right-of-use assets, the related lease liability and the result on the transaction.</p> <p>Further reference is made to note 2.1.2 to the consolidated primary statements.</p>	<p>We have designed and executed substantive audit procedures to verify the correct valuation of the right-of-use asset balance, relating lease liabilities and correct measurement of the recorded gain.</p> <p>We have inquired management regarding the application of IFRS 15 and IFRS 16, inspected underlying documents (e.g., signed contracts, valuation reports and e-mail correspondence) and performed recalculations.</p> <p>In addition, we have involved our EY real estate specialists to assist us in assessing whether the sales consideration and the agreed on rent are in accordance with the current market conditions. Our EY treasury specialists have assisted us in assessing whether the discount rate is reasonable. We have involved our EY tax specialists with respect to the related tax impact.</p>	<p>We note that the Company has appropriately accounted for the sale-and-leaseback transaction in line with IFRS 15 and IFRS 16 and that the key assumptions are reasonable.</p> <p>The sales consideration and the agreed on rent are in accordance with the current market conditions for logistic real estate.</p> <p>The risk premium included within the IBR falls within the range of our benchmark analysis.</p> <p>In addition, we assessed that the disclosures are appropriate.</p>
<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 (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 measurement of revenue related accruals.</p> <p>The estimates used in the calculation of the terminal dues can have an impact on the</p>	<p>We have gained an understanding of the terminal dues and its revenue related accruals process, performed walk throughs 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</p>	<p>We note that the Company's revenue recognition accounting policies were appropriately applied.</p> <p>Furthermore, we have assessed that the positions as per 31 December 2020 are management's best estimate.</p> <p>In addition, we assessed that the disclosures are appropriate.</p>

Risk	Our audit approach	Key observations
<p>operating revenues and accrued liabilities and is therefore important to our audit. 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>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 details procedures on the contractual agreements on both volume and prices. We performed detailed procedures to determine the correctness of adjustments by substantiating the balances by agreeing 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>Valuation Mail investments (corporate primary statements)</p> <p>At 31 December 2020 the value of Mail investments, as included in the corporate primary statements, amounted up to €3,002 million. At each balance sheet date, the Company reviews whether there is an indication that its Mail investments 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 judgement related to assumptions and data in the model used to determine whether the carrying value of the Mail investments is appropriate. Significant assumptions used in the model to support the recoverable amount of Mail investments 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.</p>	<p>We have gained an understanding of the Mail investments impairment testing process, performed a walk through 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.</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 Board of Management and the</p>	<p>We consider management's assumptions to be within the acceptable range and we assessed that the disclosures for Mail investments are appropriate.</p> <p>The Company recorded an impairment reversal of €219 million in 2020.</p>

Risk	Our audit approach	Key observations
	<p>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 Mail investments 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 Mail investments as included in note 6.4.1 of the corporate primary statements.</p>	

Report on other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- The Report of the Board of Management
- The Remuneration report
- Other information as required by Part 9 of Book 2 of the Dutch Civil Code
- Report of the Supervisory Board and Non-financial statements

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 and Sections 2:135b and 2:145 sub-section 2 of the Dutch Civil Code

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.

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, other information required by Part 9 of Book 2 of the Dutch Civil Code and the Remuneration report in accordance with Sections 2:135b and 2:145 sub-section 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

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.

Description of responsibilities for the financial statements

Responsibilities of 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 frameworks 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 judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. The Our audit approach section above includes an informative summary of our responsibilities and the work performed as the basis for our opinion.

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 Supervisory Board 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 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, 1 March 2021

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.

Our opinion

We have audited the non-financial information in the accompanying annual report for the year 2020 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 thereto related events and achievements for the year 2020

in accordance with the Sustainability Reporting Standards of the Global Reporting Initiative (GRI) and applied supplemental reporting criteria as disclosed in the chapter Non-financial statements of the annual report.

The non-financial information is included in the following chapters in the annual report: Introduction, Business report (excluding the 'Financial value' and 'Risk and opportunity management') and Non-financial statements.

Basis for our opinion

We have performed 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 sustainability information are the Sustainability Reporting Standards of the GRI 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

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 sustainability 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.

These matters were addressed in the context of our audit of the sustainability information as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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>Delivery quality Parcels in the Netherlands</p> <p>'Delivery quality Parcels in the Netherlands' is a new externally reported key performance indicator (KPI) which covers the processes from sorting to delivery of PostNL's core parcels network.</p> <p>PostNL has developed its own reporting criteria to calculate the delivery quality percentage.</p> <p>As disclosed by PostNL in note 2.3 (Delivery quality) in the chapter Non-financial statements, comparable numbers to this KPI for the period 2016 up to 2019 are not in scope of our assurance procedures as 2020 is the first-year that this KPI is part of our assurance engagement.</p>	<p>Our procedures focused on understanding and evaluating the suitability of the own developed reporting criteria.</p> <p>We assessed the sufficiency of related disclosures.</p>	<p>We concur with the own developed reporting criteria for the 'Delivery quality Parcels in the Netherlands' key performance indicator and the sufficiency of the related disclosures.</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.

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.

The Board of Management is also responsible for such internal control as the Board of Management 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 judgement and have maintained professional scepticism throughout the audit performed by a multi-disciplinary team, in accordance with the Dutch assurance standards, ethical requirements and independence requirements.

Our audit 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. 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 errors. Fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. These further audit procedures consisted amongst others of
 - Interviewing relevant staff at corporate and business level responsible for the sustainability 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.
- 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
- 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, 1 March 2021

Ernst & Young Accountants LLP

Signed by J. Niewold

Appendices

251

Other non-financial performance indicators	252
Data coverage table	253
Glossary and definitions	254
GRI Content Index	260
UN Global Compact reference table	265
Summary of key figures	266

1 Other non-financial performance indicators

PostNL Other non-financial performance indicators

2016 - 2020, as indicated

Year ended at 31 December	2016	2017	2018	2019	2020
People indicators					
Percentage of females in total headcount	49%	50%	48%	48%	49%
Employees with a disability	1,482	1,631	1,704	1,351	1,320
Disabled employees as percentage of total headcount	4%	4%	5%	4%	3%
Environmental indicators					
Water usage (in liters per FTE)	not reported	not reported	not reported	5,246	3,373
Waste (in tonnes per FTE)	0.3	0.3	0.2	0.2	0.2
Recycling of waste in percentage of total waste	61%	64%	66%	77%	88%
Environmental incidents on site	8	1	2	4	6
Environmental incidents off site	2	0	2	4	2

2 Data coverage table

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 below shows an overview of the resulting scoping coverage per line item in the 'Non-financial performance indicators'.

PostNL Data coverage table

2020

	Actual data	Extrapolation
Customer value		
Share of highly satisfied customers	100%	0%
Share of satisfied customers	100%	0%
Share of e-commerce revenue	100%	0%
Delivery quality Parcels in the Netherlands (preliminary)	100%	0%
Delivery quality Mail in the Netherlands (preliminary)	100%	0%
Reputation score	100%	0%
ISO 9001 certification	100%	0%
Social value		
Share of engaged employees	100%	0%
Headcount (scope of non-financial reporting)	100%	0%
FTE (scope of non-financial reporting)	100%	0%
Share of females in management positions	100%	0%
Share of females in senior management positions	100%	0%
Training hours per FTE	100%	0%
Fatal accidents	100%	0%
Recordable accidents (per 100 FTE)	100%	0%
Absenteeism (share of total working days)	68%	32%
ISO 45001 certification	100%	0%
Environmental value		
CO ₂ efficiency improvement (scope 1 and 2; base year 2017)	100%	0%
Share of emission-free delivery of mail and parcels in the last-mile	100%	0%
Energy consumption (total scope 1 and 2 in TJ)	100%	0%
Energy efficiency buildings (TJ / 1000 m ₂)	78%	22%
Energy efficiency transport (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)	82%	18%
Scope 3 GHG emissions (gross in ktCO ₂ e)	100%	0%
NO _x emissions (scope 1 in kg)	100%	0%
NO _x emissions (scope 1 in g/km)	100%	0%
PM ₁₀ emissions (scope 1 in kg)	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

Total hours of absence divided by the total contractual working days.

ACM

Dutch Authority for Consumers and Markets.

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.

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 1 to 3 '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.

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 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, is enthusiastic about their work, and 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.

Green gas

Green gas is a sustainable variant of natural gas and is produced by upgrading biogas to the same quality as natural gas. Green gas is a renewable fuel, which is produced cleanly.

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 interaction

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.

Innovation

Developing and testing ideas which address specific challenges or opportunities and achieve value for both us and our stakeholders.

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 conditions

Labour conditions form the contractual relationship we have with our people and the basics for their employment. These conditions cover a broad range of topics and issues, including working time (hours of work, rest periods, and work schedules), remuneration, work environment, training and development. Favourable labour conditions are important as precondition to motivate people to carry-out their work in order to execute our service delivery to customers.

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.

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.

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 Prinses Beatrixlaan 23, 2595 AK 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.

Serious accident

A serious accident is an occupational accident where a PostNL employee is admitted to a hospital ward within 30 days after the accident happened. 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.

Solid credit rating

The opinion of particular credit agencies regarding the ability and willingness of PostNL to fulfill its financial obligations in completeness and within the established due dates.

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.

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.

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.

Waste management

The activities and actions required to manage waste from its inception to its final disposal. 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 availability

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, water is a topic of discussion with specific stakeholders.

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	Prinses Beatrixlaan 23, 2595 AK 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.
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'
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'

Indicator nr.	Indicator	Details/reference
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 2020.
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
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 2020
102-51	Date of most recent previous report	24 February 2020
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

Indicator nr.	Indicator	Details/reference
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-4 Key	Share of e-commerce revenue	Chapter 'Customer value'; Chapter 'Non-financial statements', Customer value performance indicators
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-5 Key	Employee engagement	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
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

GRI

Standard	Name of standard	Reference, explanation, omission
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
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 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

GRI

Standard	Name of standard	Reference, explanation, omission
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', Our commitment to respect Human Rights
2. Make sure that they are not complicit in human rights abuses	Chapter 'Social value', Our commitment to respect Human Rights
3. Uphold the freedom of association and the effective recognition of the right to collective bargaining	Chapter 'Social value', Our commitment to respect Human Rights; Chapter 'Social value', Collective labour agreements
4. Uphold the elimination of all forms of forced and compulsory labour	Chapter 'Social value', Our commitment to respect Human Rights
5. Uphold the effective abolition of child labour	Chapter 'Social value', Our commitment to respect Human Rights
6. Uphold the elimination of discrimination in respect of employment and occupation	Chapter 'Social value', Our commitment to respect 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',

6 Summary of key figures

All numbers presented in this appendix are the reported numbers in the respective Annual Reports of 2016 till 2020, 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

2016 - 2020

	2016	2017	2018	2019	2020
Financial performance					
Revenue					
Parcels	1,283	1,382	1,555	1,672	2,052
Mail in the Netherlands	1,877	1,783	1,678	1,606	1,708
PostNL	2,723	2,725	2,772	2,844	3,255
Normalised EBIT					
Parcels	not reported	not reported	121	120	209
Mail in the Netherlands	not reported	not reported	130	52	96
PostNL Other	not reported	not reported	(45)	(37)	(60)
PostNL	not reported	not reported	206	135	245
Normalised EBIT margin					
Parcels	not reported	not reported	7.8%	7.2%	10.2%
Mail in the Netherlands	not reported	not reported	7.7%	3.2%	5.6%
PostNL	not reported	not reported	7.4%	4.7%	7.5%
Profit for the year	135	148	33	4	213
Earnings per share (in € cents)	30.5	33.0	7.1	0.8	43.0
Profit from continuing operations	135	179	127	72	209
Normalised comprehensive income	not reported	not reported	182	83	197
Free cash flow	not reported	not reported	(21)	107	186
Adjusted net debt	not reported	not reported	(614)	(736)	(407)
Consolidated equity	(79)	34	46	(21)	219
Month-end coverage ratio main pension fund	108.3%	115.8%	112.1%	113.4%	111.1%
12-months avg coverage ratio main pension fund	103.6%	113.4%	116.0%	110.6%	104.4%
Operational performance					
Parcels					
Parcel volume (in millions of items)	177	207	251	283	337
Parcel volume growth	13.3%	17.2%	21.5%	12.4%	19.2%
Delivery quality	99%	99%	98%	98%	99%
Mail in the Netherlands					
Addressed mail volume (in million items)	2,213	1,994	1,781	1,742	2,054
Addressed mail volume decline	(7.9%)	(9.9%)	(10.7%)	(2.2%)	17.9%
Adjusted addressed mail volume (in million items) ¹				2,271	2,054
Adjusted addressed mail volume decline ¹				(9.7%)	(9.6%)
Delivery quality (2020 preliminary)	96%	95%	95%	94%	94%

	2016	2017	2018	2019	2020
Non-financial performance					
Share of highly satisfied customers	38%	41%	30%	27%	37%
Share of e-commerce revenue	40%	44%	48%	52%	57%
Share of engaged employees	68%	67%	65%	76%	84%
CO ₂ efficiency improvement (scope 1 and 2; base year 2017)	not reported	base year	(2%)	(8%)	(10%)
Share of emission-free delivery of mail and parcels in the last-mile	not reported	not reported	17%	19%	20%

1 2019 pro forma, including full year of Sandd volumes

We look forward to receive feedback on this report

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