

# TCFD Report 2023



# Introduction

# 1

Rising greenhouse gas (GHG) emissions contribute to the acceleration of global warming, leading to a range of negative environmental, social and economic impacts. In 2015 nearly 200 countries agreed that they needed to collectively work to reduce the effect of climate change by significantly reducing global GHG emissions and accelerate the transition towards a low carbon economy.

These developments impact strategic planning and the actions needed to reduce GHG emissions, while preparing to adapt to the current and future impact of climate change.

The Financial Stability Board, an international body that monitors and makes recommendations about the global financial system, established a Taskforce on Climate-related Financial Disclosures (TCFD) to develop voluntary widely adoptable disclosure recommendations for businesses. The purpose of these recommendations is to help investors, lenders and insurance underwriters appropriately assess and price climate-related risks and opportunities.

In this report PostNL discloses the relevant aspects of the TCFD recommendations in the context of its operations and value chain.

**“This report summarises the relevant TCFD elements in the context of PostNL's operations and value chain.”**



# Governance

# 2

## Board oversight

### Roles and responsibilities

The Board of Management (BoM) of PostNL, composed of the CEO and CFO, is responsible for climate change-related matters within the company. Measures in relation to climate change mitigation and adaptation are integrated into the company's strategy and policies. To steer on progress, the company also integrated the climate change-related activities in the planning and control cycle. Through this cycle, the Board of Management (BoM), Audit Committee (AC) and Supervisory Board (SB) are periodically informed about climate change-related developments. This includes annual updates on the climate-related strategy, its projected forecast and target setting, annual budget process on climate-related key performance indicators and quarterly updates on the climate change-related performance of the company. During 2023, an ESG committee was formed in the Supervisory Board to give more structural attention to this increasingly important domain.

### Safeguarding strategic progress

In the strategic plan updates, climate change-related risks and opportunities, business plans including mitigation actions, capital and operational expenditures, and performance management are considered during senior management and governance bodies' reviews.

PostNL has set long-term, science-based targets (SBT) validated by the SBTi since 2019. The company uses its strategic planning process to evaluate the progress made and actions needed to meet these targets. The strategic plan, which is updated yearly, includes an annual trajectory of strategic actions and estimated results. Short-term performance monitoring is executed based on yearly targets. The BoM has three-year long-term incentives on the progress of climate change-related performance.

During 2023, PostNL worked on the reinforcement of its commitments towards climate change mitigation through raising the bar on targeted emission reduction. At the end of 2023, PostNL submitted a long-term science-based target that includes significant emission reduction levels across our value chain to a residual level in line with the 1.5°C scenario by 2040. We expect validation of these new targets in 2024 by the SBTi.

## Management's role

### Roles and responsibilities

PostNL installed an Executive Committee (EC) to advise the BoM in its duties and responsibilities, including climate change-related matters at Group level. The EC assists the BoM in achieving the company's business objectives and implementing the strategic objectives. Relevant examples of topics on which the EC advises the BoM include the annual strategic update, carbon reduction projects, communication and governance. The EC consists of the members of the BoM and the key directors within PostNL responsible for either business units or specific corporate functions.

Through the implementation of PostNL's strategy, individual EC members are responsible for the contribution to realise the climate-related strategy of their business or corporate function. Within the business units (Parcels, Mail in the Netherlands and Cross Border Solutions) tactical and operational management levels are responsible for carrying out the strategic actions. There is shared accountability for the progress made against targets set between the different management levels. As of 2023, PostNL installed a Group ESG department within a broader Group Strategy function to give strategic direction on ESG and play a pivotal role in the implementation of the upcoming Corporate Sustainability Reporting directive. The Group Strategy function reports directly to the Board of Management.

### Steering and performance evaluation

When preparing information on climate change for the BoM, the Business Unit directors and relevant corporate function directors are given monthly updates about climate change-related developments and performance, helping them steer on climate change-related progress strategically. Similar to the financial performance management cycle, the Finance function prepares performance insights on climate change, including data gathering, accounting, reporting and quality assurance of climate-related performance data.

The information for the quarterly results are prepared by and discussed with the related management representatives before the BoM, EC and SB are informed.

## Main climate-related risks and opportunities

This section provides an overview of PostNL’s main risks and opportunities in relation to climate change. The overview represents the outcome of the 2023 climate risk assessment with internal specialists facilitated through a standardised Risk Management workshop, which is held on a yearly basis. During the workshop, the potential financial/business impacts, likelihood and control effort of each climate-related risk was evaluated. Relevant opportunities in relation to identified risk events were identified and evaluated. High impact risks and opportunities are then prioritised in PostNL’s strategic planning, including concrete actions to mitigate risks and seize opportunities.

PostNL applies the following time horizons in its climate risk assessment:

- Short term: 1-2 years
- Medium term: 2-5 years
- Long term: longer than 5 years

We set a cut off between medium and long term of five years because most of our capitalised assets (excluding buildings and related installations) have a life span of around this length.

## “PostNL uses different climate scenarios in evaluating risks and opportunities.”

To evaluate risks and opportunities, we used two different climate-related scenarios published in the 2021 World Energy Outlook of the International Energy Agency<sup>1</sup>, being the “Net zero emissions by 2050” and “Stated policies” scenario.

PostNL summarised the climate-related risks and opportunities that could have a material financial impact on us in either of the two scenarios. As expected due to the nature of our business, we identified more risks than opportunities during the climate risk assessment.

The classification of opportunities and risks as included in the respective tables is aligned with the classification used in the TCFD Recommendations report of June 2017.

### PostNL Main climate-related opportunities

Time horizon	Classification	Opportunity description	Scope
Short - Medium	Transition /	Providing innovative solutions to help logistic partners (outsourced transport) accelerate towards low carbon operations through value chain collaboration, leading to competitive advantage, improved reputation and increase in revenue.	Own operations and outsourced transport activities
	Products and services		
Medium	Transition /	Influence policy makers to develop new regulatory requirements that align with the climate-related strategy of the company and is therefore less difficult and more cost efficient to adopt.	International, national, regional and local operations
	Resource efficiency		
Medium	Transition / Market	The acceleration of emission-free city logistics creates the potential to help other, less prepared parties, with logistic services in zero emission zones in cities, leading to a competitive advantage, improved reputation and increase in revenue.	Own operations and outsourced urban transport activities

<sup>1</sup> <https://www.iea.org/reports/world-energy-outlook-2021/scenario-trajectories-and-temperature-outcomes>

## PostNL Main climate-related risks

Time horizon	Classification	Risk description	Scope	Mitigating activities
Short	Transition / Policy and legal	Non-compliance with current regulatory requirements, e.g. zero emission zones in cities, environmental management systems and reporting could lead to restrictions in our operations, fines, reputational damage and loss in revenue	Own operations and outsourced urban transport activities	<ul style="list-style-type: none"> <li>Transition from fossil to emission-free vehicle fleet in (urban) transport</li> <li>ISO14001 certified Environmental Management System</li> </ul>
Short	Transition / Reputation	Failure to meet customer demands on climate change issues, for example due to slower than expected pace of progress or inadequate communication / information leading to reputational damage and loss in revenue	Own operations and outsourced transport activities	<ul style="list-style-type: none"> <li>Ambitious science-based reduction targets</li> <li>Steering on clear strategic action plan</li> <li>Stakeholder driven and tailored communication / information</li> </ul>
Short	Transition / Market	Insufficient progress of the transition towards low carbon and emission-free transportation by delivery partners leading to reputational damage and loss in revenue	Outsourced urban transport activities	<ul style="list-style-type: none"> <li>Engagement activities on awareness</li> <li>Strategic alignment on mutual objectives</li> <li>Financial incentives</li> </ul>
Short - Medium	Transition / Policy and legal	Introduction of carbon taxes leading to an increase in operating costs	Own operations and outsourced transport activities	<ul style="list-style-type: none"> <li>Stakeholder engagement and lobbying</li> <li>Accelerate transition towards low carbon logistics</li> <li>Transparency about climate action plan and results</li> </ul>
Medium	Transition / Policy and legal	Insufficient preparation on increasing climate-related regulatory requirements leading to unforeseen cost of compliance and / or resource constraints	Group-wide, regional and local operations	<ul style="list-style-type: none"> <li>Clear ESG Governance</li> <li>Stakeholder engagement</li> <li>Capacity building and training</li> <li>Transparency about climate action plan and results</li> </ul>
Medium	Transition / Market	Availability constraints of necessary infrastructure as well as vehicles for zero tail pipe-emission transport leading to delays in necessary transition to emission-free logistics in order to meet our GHG reduction targets	Own operations and outsourced urban transport activities	<ul style="list-style-type: none"> <li>Strong engagement with relevant market players</li> <li>Timely initiation of decision making related to desired capital expenditures</li> <li>Flexibility and innovation in business model</li> </ul>
Long	Physical / Acute	Increase in unexpected extreme weather events, e.g. heat waves, snowfall, storms or floods, leading to business disruptions and recovery of more than two days, resulting in cost increases and loss in revenue	Own operations in the Benelux	<ul style="list-style-type: none"> <li>Climate-related assessments in business continuity plans</li> <li>Consideration of physical climate risks in location planning</li> </ul>

# Risk management

# 3

## Risk management process

Climate risk assessments within PostNL are integrated in the structural risk management approach of the company. In principle, the assessment has a four-step approach.

- a. A risk long-list is identified, with the scope and definition described for each risk
- b. Following a structured assessment process, including voting, dedicated workshops are held with internal specialists
- c. The results of the climate risk assessments are discussed at EC level to determine the relative significance of climate-related risks in relation to other risks
- d. Action plans are developed to follow up on gaps between the company's risk exposure and risk appetite towards these risks.

More details about this approach can be found in our Annual Report.

## Managing risks

Steering on climate change-related matters is integrated in the planning and control cycle of PostNL. Managing climate-related risks and opportunities is therefore incorporated in our annual strategic plan update process. Strategic targets, as well as relevant actions to achieve our targets, are updated in this process taking into account the risks and opportunities assessed.

PostNL prioritises its strategic actions based on the impacts of different value drivers and the level of effort required to make significant progress. While executing the strategic plan, we steer on climate-related performance on a monthly basis. This enables the company to track progress closely, enabling us to most effectively mitigate risks and seize opportunities.



# Strategy

# 4

## Impact of climate-related risks and opportunities

Because climate change is integrated into the company's core strategy, the progress we make on this topic is strategically important as it contributes to our company-wide ambition to be the favourite deliverer.

PostNL has been a frontrunner on climate action for many years and aims to remain a leader on this vital topic. This means that we set ourselves high climate-related ambition levels, and allocate dedicated resources and capital to make the required investments to accelerate our progress. Our ambition and targets are important drivers for our strategic approach towards risks and opportunities, for example in the determination of the control efforts needed. For example, accelerating the transition towards a fully emission-free fleet for last-mile delivery by 2030 requires significant efforts and investments in infrastructure, vehicles, power supply and engagement with delivery partners.

This is important both for PostNL and our stakeholders, as climate change is a topic increasingly impacting society. We use our company ambition and stakeholder needs as input for the periodic evaluation of our business, strategy and financial planning. Climate action is fully integrated in both the planning and control cycle and strategic planning process, ensuring adequate planning, capital allocation and progress monitoring. The main impact areas are summarised below. More details on our environmental strategy can be found in our Annual Report.

## Products and services

Customers and consumers are increasingly becoming climate-aware and expect logistic players such as PostNL to take a leading role in the transition to low carbon and emission-free logistics. In addition to the progress we make decarbonising our operations, customers and consumers also focus on sustainable products and services, such as smart packaging and sustainable delivery options, which will also help them contribute to lower carbon goals. While they expect PostNL to develop such products and services, they also want to collaborate with us on accelerating progress along the logistics value chain.

As interest in the topic grows, expectations, communication and information about climate-related business activities, strategy, targets and performance become increasingly important. For example, in 2023 we made progress in sustainable packaging based on reduce, reuse and recycle. This helps us remove air from parcels together with customers leading to better use of our capacity and thus reducing packaging material and more efficient logistics.

## Supply chain

The largest share of PostNL's GHG emissions is related to scope 3, outsourced transport activities, which forms part of our validated science-based targets. Due to a range of factors, influencing our transport partners move towards low carbon and emission-free logistics is challenging and takes time. While it requires strong engagement and relationships, we believe that financial incentives will also be necessary to boost our logistic partners' transition, and ensure sufficient loading infrastructure.

## Mitigating activities

PostNL has been an early adopter of the external validation of the alignment of our carbon reduction strategy and targets by the Science Based Target initiative (SBTi). Since 2019, we have been implementing strategic measures that enable us to significantly reduce our GHG emissions. The following three examples illustrate the main steps PostNL has taken in recent years to improve its environmental impact:

### Renewable diesel

PostNL has been a frontrunner in the scale up of the use of renewable diesel (HVO100) with our large truck and smaller van fleet. Since the introduction of renewable diesel in 2020, well over 50% of our large truck activities have switched from traditional to renewable diesel.

### Electrification of our fleet

We continued electrifying our vehicle fleet, and increased the share of electric small truck in our fleet from 13% to 37% during 2023. We expect a further scale up of this share in the next few years. As well as switching to electric delivery vans, we are also innovating our business models, for example by successfully introducing the use of other types of light electric freight vehicles (LEFV) in city centres.

### Highly sustainable buildings

Since 2017 we only build new sorting centres that meet the highest environmental (BREEAM) standards, which includes significant improvement of energy efficiency and generating a substantial amount of renewable energy by solar panels on the buildings' roof.

**“Being a frontrunner on combatting climate change contributes to our ambition to be the favourite deliverer.”**

## Resilience of PostNL's strategy in relation to climate change

PostNL uses different inputs in the assessment of its strategy.

### Adaptation

Based on extensive studies by the Dutch meteorological institute (KNMI) and internal evaluation of climate change-related weather events, PostNL concluded that chronic climate change-related effects will not likely pose material risks in the used scenarios until 2050 for the operational locations of PostNL. Acute climate-related events could temporarily affect PostNL, therefore mitigating actions are designed for and included in the company's business continuity plans. In scenario's with higher global warming the frequency and severity of acute weather events are likely to increase.

### Mitigation

PostNL wants to maintain its position in the market as a frontrunner in tackling climate-related issues. Back in 2019, we were an early adopter of the SBT target setting mechanism and in 2023 we have sharpened our targets and filed a new submission to the SBTi for formal validation. These updated targets are based on realising significant emission reductions across our value chain to a residual level in line with the 1.5°C scenario by 2040. In comparison with our current validated targets, we included a significant step-up in the level of emission reduction for scope 3 emissions and also extended the number of scope 3 emission categories in our target setting.

### Inputs for climate-related strategic updates

PostNL has set ambitious long-term targets to significantly reduce its CO<sub>2</sub> emissions by 2030, and as part of this to become 100% emission-free with the last-mile delivery of parcels and mail in the Benelux. The evaluation of progress against these targets, as well as technological developments and expectations of stakeholders, are factors that can influence our strategy, as disclosed in the Governance chapter.

These and other factors are taken into consideration in our annual climate-related strategic plan update. One example is giving insights to customers about the sustainability of their shipments as a way to strengthen engagement and help them make more sustainable choices by providing more sustainable delivery options.

Our strategic plan includes clear sub targets and strategic actions to achieve our long-term objectives. Necessary investments associated with these actions are integrated in the financial planning and control cycle, while cascading climate-related matters and activities to all levels of the organisation enables the company to achieve its objectives.



### Increased focus on value chain collaboration

As complexity and dependencies have developed rapidly across supply chains and within society, sustainable development in general and climate action in particular require both individual action by companies and action driven by collaboration initiatives. Our strategic approach towards accelerating the transition towards zero-emission transport is threefold.

- a. Where possible, PostNL takes direct action to accelerate its emission reduction activities, for example in scaling up the use of renewable fuels.
- b. In other situations, our progress partly depends on collaboration with relevant value chain partners to make progress on climate action, such as the availability of low-carbon technologies. We are also taking a proactive approach in engagement with partners, for example by requesting network capacity of energy and related infrastructure as early as possible or pre-ordering electric vehicles.
- c. And as part of our long-term planning, we are increasing the flexibility of our business models and allocation of resources to develop innovative solutions.



# Metrics and targets

# 5

## Climate-related metrics

PostNL uses a variety of climate-related metrics throughout the organisation. This chapter explains the relevant metrics for PostNL, based on the expected type of metrics identified in the TCFD recommendations.

### Internal and external reporting

PostNL measures the progress of its climate change mitigation strategy through both the developments in absolute GHG emissions in metric tons of CO<sub>2</sub>e (scope 1, 2 and 3) and relative GHG emissions in metric grams of CO<sub>2</sub>e per transported kilometre of its own operations. A significant part of PostNL's operations involves distribution activities in urban areas. PostNL therefore also measures the environmental impact of its last-mile logistical activities by expressing the share of emission-free last-mile kilometres for the delivery of parcels and letters in the Benelux (scope 1, 2 and 3). The performance on CO<sub>2</sub> efficiency improved during 2023 and resulted in 138 grams per kilometre (2022: 152). PostNL realised a reduction of absolute scope 1, 2 and 3 emissions by almost 11% resulting in 179 kt CO<sub>2</sub>e (2022: 201). The share of emission-free last-mile delivery of parcels and mail in the Benelux, measured in kilometres, increased to 24% (2022:22%).

In addition to the reporting of GHG emissions, PostNL also reports on the energy use, both absolute and relative in total and broken down, for its buildings and fleet.

PostNL uses the relevant GRI standards and therefore also the GHG Protocol to calculate and report its environmental performance metrics. More information about the company's reporting can be found in our Annual Report.

**“PostNL uses a variety of climate related metrics to report on.”**

### Internal carbon pricing

Influencing decision making within the organisation in order to take account of climate-related impacts helps execute our emission-reduction strategy. Since 2019, we have used Internal Carbon Pricing as a measure to raise awareness in the organisation of the value of carbon and as a tool to stimulate climate-beneficial investments in business cases. PostNL started with a price of €50 per metric ton of CO<sub>2</sub>e and increased this price to €100 since 2022.

### Capital deployment

As part of our strategic planning process, we align our emission-reduction activities in our environmental strategic plan with the required capital resources in our financial strategic plan. In 2021, PostNL announced it would invest around €80 million in climate-related investments during 2022-2024. This amount represents the net additional cost of the investment in environmentally sustainable solutions, such as fleet electrification, including required infrastructure and low carbon transitional fuels.

### Financial and business exposure

Transition and physical risks could represent financial exposure to PostNL, for example in relation to valuation of assets, cost increases and demand for the company's services. On the other hand, climate-related opportunities could also have positive business and financial exposure. Quantification of the financial effects and business exposure of climate-related risks and opportunities helps in strategic decision making. Based on our initial analysis, this exercise is not straightforward and requires time to develop. This has been identified as one of the next steps in the company's climate change approach.

## Target setting

Our target setting is focused on climate change mitigation, as this was identified as the key material environmental topic for PostNL based on the materiality assessment.

PostNL has been a frontrunner in the Netherlands in this area, with formally validated science-based targets by the SBTi since 2019. Currently, PostNL has concrete reduction targets until 2030 (base year 2017). The carbon emission targets are threefold:

- a. Absolute reduction target for scope 1 and 2: 60%
- b. Relative reduction target for scope 1 and 2: 80%
- c. Absolute reduction target for scope 1, 2 and 3: 18%

More information about PostNL's targets and progress in 2023 can be found in our Annual Report.

PostNL has submitted new, long-term and science based, reduction targets to the SBTi at the end of 2023. These targets are based on realising significant emission reductions across our value chain to a residual level in line with the 1.5°C scenario by 2040.

The new targets we submitted aim to reduce over 90% of our absolute scope 1 and 2 GHG emissions by 2030 compared to our 2021 base year. For our scope 3 emissions, we set an absolute reduction target of around 45% compared to the 2021 base year. These targets are significantly more ambitious than our previous targets. In addition, we also increased the coverage of scope 3 GHG emission categories compared to our current scope. This means that in the submission we have included emissions from the following categories:

- Purchased goods and services
- Capital goods
- Fuel and energy-related emissions (including well-to-tank emissions)
- Waste
- Upstream leased assets

We will report on these categories in future Annual Reports, providing transparency about the progress we make against our new targets.

At PostNL, we have made concrete annual reduction projections towards 2030 in line with the SBTi criteria. Our long-term strategy is to continue investing in and focusing on emission reduction after 2030, building upon our current strategic approach. Consequently, we aim to continue realising emission reductions, particularly in our value chain, at the same pace as we do until 2030. We expect to realise emission reductions to a level that is in line with the 1.5C scenario by 2040. Target uncertainties relate primarily to our dependency on available electricity grid capacity, carbon reduction in our supply chain, as well as technological developments in relation to zero-emission long-haul transport. We currently do not foresee negative side effects in realising our carbon reduction targets.

PostNL breaks down the long-term targets into annual sub targets on consolidated and reporting entity level to enable steering on progress. As climate-related investments translate to a reduction of GHG emissions over a period longer than one year, PostNL has included a three-year Long-Term Incentive (LTI) for its Board of Management (BoM) and Executive Committee (EC) members in the remuneration policy. The metric relevant for the LTI of the BoM and EC is currently the carbon efficiency of PostNL's own operations, measured as the grams CO<sub>2</sub>e emissions per transported kilometre. More information about the remuneration policy can be found on PostNL's website.

For other senior management members, a short-term incentive on climate change performance applies in their annual variable remuneration.

### **We look forward to receive feedback on this report**

Please send us your comments by e-mail to

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