



14 December 2023

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Our reference      COR/23-06/Remuneration policies BoM & SB

Subject             Request for advice on new remuneration policies BoM & SB

Dear members of the Central Works Council,

In 2019, we requested your advice on the new draft remuneration policy of the Board of Management (hereafter: "**BoM**") and the new draft remuneration policy of the Supervisory Board (hereafter: "**SB**"). After your advice, the new policies were adopted by the Annual General Meeting (hereafter: "**AGM**") in April 2020 and became effective as per 1 January 2020.

In 2021, we requested your advice again on a slightly revised remuneration policy of the BoM, which was adopted by the AGM in April 2022 and became effective as per 1 January 2022.

As further elaborated on, changes are proposed to the current Remuneration Policies of the BoM and SB (hereafter: "**Remuneration Policies**"). Following discussion on such changes during our meeting with a delegation of the Central Works Council (hereafter: "**CWC**") on October 3<sup>rd</sup> and 24<sup>th</sup>, I hereby request the CWC for their advice on the newly proposed draft Remuneration Policies.

For your information, copies of the newly proposed draft Remuneration Policies are included in appendix 1 (BoM) and 2 (SB). Kindly note that these documents are draft versions which are subject to change.

## 1. Evaluation of Remuneration Policies

The remuneration policy changes in 2020 and 2022 were mostly driven by compliance and business relevance and did not entail strategic changes to the then existing Remuneration Policies: in 2020 due to new legislation (EU Shareholder Rights Directive II) and in 2022, for the BoM, by aligning the financial long-term incentives with the strategy of PostNL. Given the aforementioned, no strategic changes have been made to the Remuneration Policies for over ten years, while the environment PostNL operates in, has substantially changed meanwhile and still changes rapidly.

The proposed changes are the result of the strategic evaluation of the current Remuneration Policies by the Remuneration Committee of the SB. The evaluation process started with a review of the Remuneration Policies' guiding principles (i.e. alignment, transparent, compliant, simple, sustainable for the BoM and alignment, independence, transparent, compliant, simple for the SB). We considered the guiding principles as still fit for purpose and reflective of our view on remuneration. Subsequently, we have reviewed the peer group to ensure the composition is aligned with PostNL's current business profile. Based on the guiding principles and updated peer group (consisting of 14 listed companies), a benchmark assessment was executed.

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Further to the benchmark assessment, we have thoroughly considered PostNL's internal perspective and the societal context we operate in. This was done, amongst others, by assessing the impact of our proposals on pay ratio developments, while we did not change our preferred market positioning on the various remuneration elements.

We have the (unaltered) ambition to set base salary levels of the BoM around the median level of the peer group and variable remuneration, in view of the societal context of PostNL, with a reference to the 25th percentile of the peer group. For the SB we aim to position compensation between the 25th percentile and median levels of the peer group.

The strategic review resulted in the following outcomes:

- The base salaries of the BoM are aligned with the remuneration policy ambition;
- The current variable reward components of the BoM are significantly below our policy ambition of a reference to the 25<sup>th</sup> percentile;
- The variable reward structure of PostNL is different from the market standard; and
- The current SB fee levels are below ambition level.

These have resulted in our proposal to change the current Remuneration Policies to create more suitable and future proof Remuneration Policies, better aligned with market standards.

## 2. Proposed changes and rationale

We propose the following material changes in the Remuneration Policies including our rationale for change.

### a. BoM: Increase of STI and LTI target levels

The current Short Term Incentive (hereafter: "**STI**") and Long Term Incentive (hereafter: "**LTI**") of the BoM are both capped at 37.5% of the annual base salary.

No adjustments to the STI and LTI target levels were made since 2013. The benchmark analysis showed us that the BoM's current STI and LTI levels are far below market levels and even below our ambition level (with a reference to the 25<sup>th</sup> percentile of the peer group). To remain able to attract, reward and retain qualified board members and to ensure that the variable reward will be closer to the 25<sup>th</sup> percentile, while remaining mindful of PostNL's societal context, we propose to increase the STI from 37.5% to 40% (at target) and the LTI from 37.5% to 50% (at target). The higher LTI level versus STI level emphasises PostNL's focus on long-term sustainable value creation. Similar to our current approach, STI pay-out and LTI vesting are subject to outcomes on the performance measures.

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**b. BoM: Introduction of STI threshold and stretch**

The current STI is based on an “all or nothing” principle, resulting in payment when meeting targets, but no differentiation in case of overperformance and zero pay-out in case of delivery of only slightly-below target performance. We propose to introduce a threshold (20% pay-out) and stretch (60% pay-out) to ensure that the pay-for-performance mechanism of the variable rewards structure will be effective. This approach allows for pay-out in case of below target (but above threshold level) performance and increased pay-out in case of overperformance. Under threshold performance will not lead to pay-out. This is also more in line with current reward practises in the market and will prevent undesirable STI outcomes during uncertain times and allows the SB to set challenging and realistic targets during these times. Since the SB sets challenging and realistic targets, we expect that a (maximum) stretch situation will infrequently occur.

**c. BoM: introduction of LTI stretch**

The current LTI structure, contrary to the STI, already has a threshold. In line with the STI proposal, we propose to also introduce a stretch for the LTI (75% pay-out) to ensure that the pay-for-performance mechanism of the variable rewards structure will be effective. By introducing the stretch, which is common market practice, the LTI reward will not only reflect under target performance (but above threshold level), but also overperformance by the BoM. Under threshold performance will not lead to pay-out. The stretch-opportunity (together with the already existing threshold pay-out of 25%), provides a range around target and mitigates increased difficulties in long-term target setting. Since the SB sets challenging and realistic targets, we expect that a (maximum) stretch situation will infrequently occur.

**d. BoM: More flexible STI and (non-financial) LTI-performance measures**

In the current remuneration policy of the BoM, the STI and LTI performance measures are defined in full detail. This means that currently we cannot make any strategic adjustments to these performance measures without shareholder approval. In view hereof, we aim to introduce more flexibility in the new BoM Remuneration Policy by allowing the SB to choose STI and (non-financial) LTI performance measures annually. This allows us to translate moving annual strategic priorities into the STI and to anticipate on any future developments of non-financial LTI performance measures.

We will maintain the current weighting of the financial performance measures (60% STI and 66.67% LTI) and the non-financial performance measures (40% STI and 33.33% LTI) and will include a bucket for both financial and non-financial STI performance measures as well as the non-financial LTI performance measure(s) in the policy to choose from. Each bucket consists of a non-restrictive list of performance measures per category:

- For the STI financial measures (60%): profit, cash, return or revenue/market volume related;
- For the STI non-financial measures (40%): sustainability, people, customer or strategy related;
- For the LTI non-financial measures (33.33%): ESG-related.

To ensure transparency, we will disclose the chosen performance measures at the start of the calendar year in the annual report.

**e. SB: Adjustment of fees**

The SB fees have not been changed since 2011 while time spent and responsibilities of the SB-members have increased since. Furthermore, the benchmark assessment showed us that the current SB fees are below our policy ambition. Therefore, we propose to increase the annual SB fees and the annual committee fees (except for the fees for the chair and members of the audit committee since these are already in line with the policy ambition) to ensure alignment with our ambition level of between the 25<sup>th</sup> percentile and the median.

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**f. SB: Introduction ESG committee fee**

Together with the formal introduction of the ESG committee, we propose to introduce a separate committee fee for members of the ESG committee. The fee is equal to the fees for the chair and members of the remuneration committee and the nomination committee and reflects a compensation for additional time spent and responsibilities.

For your convenience, we have added a summary in Dutch of the main items of the proposal (appendix 3).

**3. AGM**

The proposed draft Remuneration Policies will be put forward for a binding shareholder vote at the AGM on 16 April 2024. This request for advice, your subsequent advice and our response to your advice will be added to the proposal and further documentation that will be published in March 2024 together with the agenda for the AGM. Until that moment, the proposed draft Remuneration Policies remain confidential.

**4. Stakeholder engagement process**

Several stakeholders were consulted while drafting these proposed draft Remuneration Policies. During the roadshow in September/October 2023, PostNL engaged with shareholders, shareholder representatives, proxy advisors and a delegation of the CWC of PostNL.

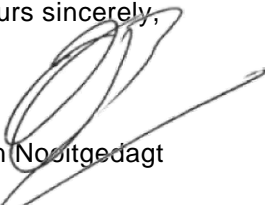
In appendix 4 you will find the presentation that has been shared and discussed during the roadshow. In appendix 5 you will find an overview in which the (technical) terms used in the presentation are explained.

**5. Request for advice**

In line with article 2:135a, paragraph 3 of the Dutch Civil Code, I hereby request the CWC for their advice regarding the newly proposed draft Remuneration Policies of the BoM and SB. Given the fact that this request for advice, your advice and our response to your advice are part of the documents to be shared with the AGM, I request the CWC for a written response in English.

This request has been discussed during the formal CWC meeting on 13 November 2023 in presence of a member of the Supervisory Board.

Yours sincerely,



Jan Noutgedagt

Chairman Supervisory Board  
PostNL N.V.

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Appendices:

1. Draft remuneration policy Board of Management
2. Draft remuneration policy Supervisory Board
3. Dutch summary of the main items of the proposed new Remuneration Policies
4. Presentation roadshow engagement process
5. List with explanations re. terms used in the presentation