I. MESSAGE FROM THE CHAIRMAN

Dear Stakeholders,

I am pleased to present you the report on the activities of the Supervisory Board during 2013.

The year was eventful and brought many changes for TNT Express. After the prohibition of the intended merger with UPS early 2013, the company showed determination by implementing the Deliver! improvement programme. Against a backdrop of difficult trading conditions, the programme targeted the divestment of non-core businesses and the realisation of significant cost efficiencies. The Supervisory Board is confident that management will succeed in achieving the programme’s objectives.

Following Mr Gunning’s arrival as the new CEO, management started a comprehensive strategy review. The Supervisory Board was closely involved in this process, supported by a dedicated Strategy Committee composed of representatives from its Board. The review resulted in clear choices for the organisation, with focus on customers, operational excellence and shareholder value. The Supervisory Board considers successful implementation essential to improve overall performance and to create a basis for long-term success.

Amid change, some things will persist. Building on a strong track record, TNT Express will continue to emphasise care for its people and the environment. Also, we will see to it that good governance is being maintained as we consider this an essential condition for long-term success. Last but not least, TNT Express will maintain good relations with its shareholder base.

On behalf of my fellow members of the Supervisory Board, I would like to thank management and employees for their hard work during 2013, and I thank shareholders and other stakeholders for their commitment to our business. I trust in their continued dedication during 2014.

Kind regards,

Antony Burgmans

Chairman of the Supervisory Board of TNT Express N.V.
II. REPORT OF THE SUPERVISORY BOARD

INTRODUCTION

In 2013, the Supervisory Board played an active and prominent role in advising the Executive Board on strategic and operational processes, governance, corporate responsibility and developments. This report provides an overview of the events and challenges the Supervisory Board dealt with throughout the year.

SUPERVISION BY THE SUPERVISORY BOARD

Achievement of company goals

TNT Express continued to operate under challenging trading conditions in 2013. The Supervisory Board gave its full support to the Executive Board in initiating a company-wide improvement programme, Deliver!, to stabilise the business and to achieve medium-term efficiency gains. At the same time, the Supervisory Board recognised that this programme and the related changes to the company’s structure, assets and cost base coincided with sizeable impairments, valuation adjustments and restructuring provisions. Throughout the year, management succeeded in keeping costs under control and maintaining a solid cash position. The improvement programme is on track and starting to positively impact results.

Further action was required to improve overall performance and secure the long-term success of TNT Express. The Executive Board, with close involvement from the Supervisory Board, therefore performed a comprehensive strategy review in the second half of 2013. The Supervisory Board established a dedicated ad hoc Strategy Committee in July to support it in its assessment of management’s proposals. The review led to the updated strategy, Outlook.

Mr Gunning was appointed as CEO effective 1 June 2013 and Mr Bot remained in his position as CFO. Mr. Seyger, CFO ad interim for the period until 1 June 2013, took on a senior finance function in TNT Express. The Supervisory Board is of the opinion that, given the circumstances, the Executive Board performed its duties well during the year.

Strategy and risks

In January 2013, following UPS’ withdrawal of its offer for TNT Express, the Supervisory Board confirmed the termination of the merger agreement. Profit improvement measures were discussed in February, resulting in the announcement of the Deliver! improvement programme in March. Its main actions entailed a focus on TNT Express’ distinctive service proposition, reduction of overhead costs, divestment of non-performing or non-core businesses, and investing in infrastructure and IT. The sale of the domestic road operations in China was completed on 1 November 2013. Investments in infrastructure in the Middle East and Australia as well as in IT were approved and are being implemented. In January 2014, the company concluded that a sale of the Brazil Domestic activities at acceptable terms was not possible and decided to terminate discussions with potential bidders.

During the year, the Executive Board and the Supervisory Board discussed further initiatives to reinforce the company’s performance. TNT Express’ strategic agenda continued to evolve around the strength of its European international networks. A strategic agenda for the company was agreed, resulting in the following imperatives:
– Focus on profitable growth
– Invest in performance
– Organise to win

Risk management

In 2013, the Supervisory Board was informed regularly, promptly and comprehensively on risks and risk management. The outcome of TNT Express’ risk management process, the risks identified and the mitigation plans were discussed in detail with the Audit Committee and between the Supervisory Board and the Executive Board. Refer to section V for more information on the risk management process and the strategic, operational, financial and compliance risks facing TNT Express.

Financial reporting

In 2013, members of the Supervisory Board received comprehensive financial reporting updates on a regular basis. This included the annual report with the consolidated financial statements, drawn up in accordance with IFRS, the proposal for a pro forma (interim) dividend from the distributable part of the shareholders’ equity, the quarterly consolidated financial statements and PricewaterhouseCoopers (PwC)’s specified procedures report of TNT Express’ half-yearly and annual financial statements and
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reports as well as monthly results reports. The Audit Committee and Supervisory Board dealt extensively with these reports. The external auditor attended all meetings of the Audit Committee.

Compliance
The Supervisory Board believes in a strong compliance framework. It advocates a corporate culture that values integrity and commitment to external and internal rules and regulations as well as fair treatment of business partners, employees and other stakeholders. In 2013, the Supervisory Board was informed on compliance-related topics and ascertained the legality and proper conduct of management activities.

Investor relations
The Supervisory Board was updated on investor relations activities and investor sentiment at least every quarter. Following the publication of the (quarterly) results, the Supervisory Board was informed in writing on trading updates, share price developments, market reactions and enquiries by investors and analysts. This was especially the case during the final stages of the intended merger process with UPS in early 2013 and the launch of the Deliver! improvement programme in March. Recognising the interest of shareholders in the company’s developments in the past year, the Supervisory Board was pleased to note shareholder engagement at the Annual General Meeting of Shareholders in April. Refer to chapter 6 for more information on TNT Express’ investor relations activities.

Corporate responsibility
The Supervisory Board acknowledged the continued integration of corporate responsibility into TNT Express’ overall business strategy and operations. The Supervisory Board considers corporate responsibility to be an essential condition for long-term success. In 2013, the Supervisory Board paid particular attention to road safety and greenhouse gas emissions. Regrettfully, TNT Express, including subcontractors, was involved in 14 fatal road accidents. Although this represented a significant decrease from the year before, the Supervisory Board is of the opinion that every fatality is one too many. The Supervisory Board encouraged increased safety training and improvement programmes to significantly reduce the number of accidents and incidents, and realise the company's vision of zero-fatal accidents. Refer to chapter 3 for more information.

MEETINGS OF THE SUPERVISORY BOARD

In 2013, the Supervisory Board held six regular meetings and six ad hoc meetings, mostly by phone. The Executive Board attended most of the meetings. Agenda items included: business performance and market developments; strategic, governance and regulatory updates; and corporate responsibility items. The ad hoc meetings took place mainly in early 2013 to discuss developments related to the intended merger with UPS.

All members of the Supervisory Board attended all Supervisory Board meetings (refer to page 39 for an attendance overview). Between meetings, the chairman of the Supervisory Board held frequent discussions with the CEO (ad interim), both in person and by phone. The Executive Board kept the entire Supervisory Board informed of important developments on a regular basis.

In February, the Supervisory Board discussed the termination of the intended merger with UPS and the follow-up actions including the receipt of the €200 million termination fee. The Deliver! improvement programme was also reviewed. Other items discussed were the 2012 annual results, including the fourth-quarter and full-year results, the year-end report by the external auditor (PwC) and the risk environment report. The Supervisory Board approved the 2012 annual report, the final 2012 dividend proposal and the agenda for the Annual General Meeting of Shareholders on 10 April 2013.

In January and February, five ad hoc Supervisory Board conference calls and meetings were held. Topics discussed were the (termination of the) intended merger, the selection and nomination of Mr Gunning as CEO, and the nomination of Mr Vollebregt as additional independent member of the Supervisory Board.

In April, the Supervisory Board held two regular meetings, the first to prepare for the Annual General Meeting of Shareholders; the second to discuss the progress of the Deliver! improvement programme and the first-quarter results.

In July, the Supervisory Board discussed the half-year and second-quarter results as well as the outlook for the remainder of 2013. It also reviewed the Deliver! improvement programme results as well as strategic issues including the intended sale of Brazil Domestic. The Supervisory Board approved the terms of reference and composition of the Supervisory Board’s Strategy Committee, which was tasked with the strategy update.
In October, the third-quarter results and updates on key strategic issues were discussed. A substantial part of the meeting was dedicated to reviewing the Australian business unit’s business plan. The Supervisory Board approved infrastructure investments in TNT Express’ Sydney and Melbourne depots.

In December, the Supervisory Board held two meetings, an ad hoc meeting and a regular meeting. In the ad hoc meeting in early December, the Supervisory Board discussed an update on the intended sale of Brazil Domestic. In the regular meeting, the Supervisory Board discussed and approved the updated strategy, Outlook. Furthermore, the 2014 budget and the proposal for amendments to the remuneration policy for the Executive Board were discussed and approved. Updates on the Deliver! improvement programme, TNT Fashion, the Boeing 747 freighters, the intended sale of Brazil Domestic, as well as the CR strategy and the medium-term action plan were presented and discussed.

Transactions of particular significance or requiring Supervisory Board approval were discussed with the Executive Board in Supervisory Board committee meetings prior to decisions being taken. In between regular meetings, members of the Supervisory Board were informed on an ad hoc basis of urgent plans and projects arising.

COMMITTEES OF THE SUPERVISORY BOARD

The Supervisory Board has four committees: the Audit Committee, the Chairman’s & Nominations Committee, the Remuneration Committee, and the Strategy Committee. These committees help prepare the Supervisory Board for its decision-making responsibility and provide advisory input. Each committee reported its findings and conclusions to the entire Supervisory Board on a regular basis, both verbally and in writing.

Audit Committee

The Audit Committee comprises three members and is chaired by Mr Levy. In 2013, the Audit Committee met five times, with all committee members attending all meetings. All meetings were attended by the CFO (ad interim), the global director of finance, the director of internal audit, the director of financial reporting, consolidation & accounting and the external auditor, PwC. The February and April meetings were also attended by the CEO (ad interim). Following each committee meeting, a summary update was provided the next day, to the full Supervisory Board.

The Audit Committee dedicated significant attention to the periodic financial reports, external auditor’s reports, TNT Express’ control framework and internal audit reports. The committee reviewed press releases, developments on pensions and internal control over financial reporting on a regular basis.

In February, the Audit Committee discussed the 2012 annual results, the year-end report by PwC, the risk management process and the 2012 final dividend. Furthermore, it discussed the internal audit and internal control reports, TNT Express’ integrity programme and the letter of representation. Other topics discussed were the full-year claims and litigation report, updates on the divestment processes of Brazil Domestic and China Domestic and the exploration of the divestment of TNT Fashion.

In April, meetings were held to discuss the first-quarter results and the 2013 audit plan by PwC. Updates on internal audit, internal control, pensions, and the divestment processes of Brazil Domestic and China Domestic were presented.

In July, the second-quarter and half-year results were discussed as well as updates on business ethics, the internal audit function, Brazil Domestic, China Domestic, claims and litigation and pensions. PwC presented their half-year specified procedures report. The Audit Committee reviewed the outcome of the annual PwC satisfaction survey and reviewed the follow-up of last year’s action points.

In October, the third-quarter results and the quarterly internal audit and internal control reports were reviewed. Sale processes of Brazil Domestic, China Domestic and the Boeing 747 freighters as well as tax assessments, pensions and the new rules on external auditor rotation were discussed.

The reorganisation of the internal compliance function received special attention. Internal audit, Internal Control, Risk Management, Business Ethics and Export Control are now combined into an integrated function under one compliance director. The Audit Committee was satisfied with the new set-up.

In December, the Audit Committee discussed the 2014 budget and audit plan. PwC presented the hard close report. In addition, updates on export controls, TNT Fashion, the Boeing 747 freighters, pensions, the sale of Brazil Domestic, and the 2013 annual report process were discussed.

With respect to the discussion on the internal control recommendations with the external auditor, there were no material issues besides those already disclosed in the 2013 annual report.
The chairman of the Audit Committee met with the external auditor in a private session prior to every Audit Committee meeting. In October, the other Audit Committee members also convened with the external auditor in the annual private session.

**Chairman’s & Nominations Committee**

In 2013, the Supervisory Board decided to transform the Nominations Committee into a Chairman’s & Nominations Committee. Chaired by Mr Burgmans, the committee consists of all six members of the Supervisory Board.

Three meetings were held in July, October and December. Agenda items for each meeting included the composition and performance of the Supervisory Board and the Executive Board. In July, the committee discussed the proposal for the composition, organisation and the terms of reference of an ad hoc Supervisory Board Strategy Committee. In December, the committee discussed the amended terms of reference of the Chairman’s & Nominations Committee.

**Remuneration Committee**

Chaired by Ms Harris, the Remuneration Committee has four members. The committee held four meetings throughout the year. External advisors as well as internal advisors from the human resources department advised the committee on several topics.

The committee addressed a number of issues and prepared a proposal for amendments to the Executive Board remuneration policy. The policy was approved by the Supervisory Board in December 2013 and will be submitted to the 2014 Annual General Meeting of Shareholders for adoption. Refer to section IV for more information on the proposal.

**Strategy Committee**

The ad hoc Strategy Committee was established in July to assist the Executive Board in developing the company’s strategy. The committee has three members and is chaired by Ms Harris. Three meetings were held between September and December. In between committee meetings, members of the committee participated in several ad hoc meetings to support the development of the updated strategy, Outlook. The committee reviewed the progress on the various divestment processes and discussed the basis and requirements of the longer-term strategic agenda of TNT Express. The members regularly reviewed and challenged the strategy’s approach and intermediate findings and conclusions with specific attention given to risks and opportunities, the competitive landscape, coherence with market trends and impact on financial performance.

**INTERNAL ORGANISATION**

**Evaluation**

In December, the Supervisory Board approved the proposal to appoint an external facilitator to support the Supervisory Board’s self-assessment process in the first quarter of 2014.

**Composition**

In 2013, the Supervisory Board of TNT Express consisted of six members. Refer to page 41 for the names and biographies of the members of the Supervisory Board. A detailed overview of their diversity and competences is provided on the following page.

In view of his potential nomination for the Executive Board of TNT Express, Mr Gunning resigned from the Supervisory Board on 25 February 2013. In April, the Annual General Meeting of Shareholders appointed Mr Vollebregt as a new member, following his nomination by the Supervisory Board. The Supervisory Board considered that Mr Vollebregt satisfied both the individual profile and the collective set of expertise, skills and competences required for a member of the Supervisory Board. In particular his international business experience and acumen in logistics and network optimisation were considered of great value to TNT Express. Mr Vollebregt's nomination followed a recommendation by TNT Express’ largest shareholder, PostNL N.V. The Supervisory Board resolved that Mr Vollebregt qualified as an independent member in accordance with the Dutch Corporate Governance Code.

**Conflict of interest**

No transaction involving a conflict of interest between TNT Express and a member of the Supervisory Board or the Executive Board was reported in 2013.

**Induction and training**

As a new member of the Supervisory Board, Mr Vollebregt attended a full-day and evening induction programme in June 2013. Senior management informed Mr Vollebregt of matters and developments that are important to TNT Express. Mr Vollebregt also visited TNT Express’ European road network hub.
in Duiven, the Netherlands. The induction programme was attended by two other members of the Supervisory Board and the CEO.

External advice
In 2013, the Supervisory Board obtained independent professional advice on the (termination of) UPS' merger offer, on the search and selection of candidates for the position of CEO and on remuneration-related matters.

Competences and Diversity
During 2013, each member of the Supervisory Board was capable of assessing the broad outline of the tasks and responsibilities of the Supervisory Board. In their designated roles, each member had specific expertise to fulfil the duties assigned to him or her. Collectively, the Supervisory Board covered all required expertise, skills and competences to fulfil its duties. The competencies and diversity overview below provides more detailed information.

Supervisory Board competencies and diversity overview

General competencies

<table>
<thead>
<tr>
<th></th>
<th>Executive skills/experience</th>
<th>International experience</th>
<th>Knowledge/experience in logistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr Burgmans</td>
<td>3</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Ms Harris</td>
<td>1</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Mr King</td>
<td>3</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Mr Levy</td>
<td>3</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Ms Scheltema</td>
<td>3</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Mr Vollebregt</td>
<td>3</td>
<td>2</td>
<td>3</td>
</tr>
</tbody>
</table>

1 - Working knowledge; 2 - Solid experience and knowledge; 3 - Professional/expert level

Functional competencies

<table>
<thead>
<tr>
<th></th>
<th>Marketing Sales &amp;</th>
<th>Operational Processes</th>
<th>Finance</th>
<th>Legal &amp; Tax</th>
<th>Corporate Governance</th>
<th>Social &amp; CR</th>
<th>M&amp;A/Investor Relations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr Burgmans</td>
<td>3</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>3</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Ms Harris</td>
<td>3</td>
<td>1</td>
<td>3</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Mr King</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>3</td>
<td>1</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Mr Levy</td>
<td>3</td>
<td>2</td>
<td>3</td>
<td>2</td>
<td>3</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Ms Scheltema</td>
<td>2</td>
<td>2</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Mr Vollebregt</td>
<td>3</td>
<td>1</td>
<td>3</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
</tbody>
</table>

1 - Working knowledge; 2 - Solid experience and knowledge; 3 - Professional/expert level

Diversity

<table>
<thead>
<tr>
<th></th>
<th>Age</th>
<th>Gender</th>
<th>Nationality</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr Burgmans</td>
<td>67</td>
<td>Male</td>
<td>Dutch</td>
</tr>
<tr>
<td>Ms Harris</td>
<td>47</td>
<td>Female</td>
<td>British</td>
</tr>
<tr>
<td>Mr King</td>
<td>73</td>
<td>Male</td>
<td>American</td>
</tr>
<tr>
<td>Mr Levy</td>
<td>66</td>
<td>Male</td>
<td>French</td>
</tr>
<tr>
<td>Ms Scheltema</td>
<td>59</td>
<td>Female</td>
<td>Dutch</td>
</tr>
<tr>
<td>Mr Vollebregt</td>
<td>59</td>
<td>Male</td>
<td>Dutch</td>
</tr>
</tbody>
</table>
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Supervisory Board attendance

Supervisory Board attendance 2013

<table>
<thead>
<tr>
<th></th>
<th>Supervisory Board meetings</th>
<th>Audit Committee meetings</th>
<th>Remuneration Committee meetings</th>
<th>Strategy Committee meetings</th>
<th>Chairman’s and Nominations Committee meetings</th>
<th>Additional ad hoc Supervisory Board meetings</th>
<th>Annual General Meeting of Shareholders</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr Burgmans</td>
<td>7/7</td>
<td>-</td>
<td>3/4</td>
<td>-</td>
<td>3/3</td>
<td>6/6</td>
<td>1/1</td>
</tr>
<tr>
<td>Mr Gunning¹</td>
<td>2/2</td>
<td>1/1</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>5/5</td>
<td>n/a</td>
</tr>
<tr>
<td>Ms Harris</td>
<td>7/7</td>
<td>5/5</td>
<td>4/4</td>
<td>3/3</td>
<td>3/3</td>
<td>6/6</td>
<td>1/1</td>
</tr>
<tr>
<td>Mr King</td>
<td>7/7</td>
<td>5/5</td>
<td>4/4</td>
<td>-</td>
<td>3/3</td>
<td>6/6</td>
<td>1/1</td>
</tr>
<tr>
<td>Mr Levy</td>
<td>7/7</td>
<td>5/5</td>
<td>4/4</td>
<td>-</td>
<td>3/3</td>
<td>6/6</td>
<td>1/1</td>
</tr>
<tr>
<td>Ms Scheltema</td>
<td>7/7</td>
<td>5/5</td>
<td>-</td>
<td>2/3</td>
<td>3/3</td>
<td>6/6</td>
<td>1/1</td>
</tr>
<tr>
<td>Mr Vollebregt²</td>
<td>5/7</td>
<td>-</td>
<td>3/3</td>
<td>3/3</td>
<td>3/3</td>
<td>1/1</td>
<td>n/a</td>
</tr>
<tr>
<td><strong>Total % attendance</strong></td>
<td><strong>100%</strong></td>
<td><strong>100%</strong></td>
<td><strong>94%</strong></td>
<td><strong>89%</strong></td>
<td><strong>100%</strong></td>
<td><strong>100%</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

¹Until 25 February 2013 (assigned as CEO as of 1 June 2013).
²As per 10 April 2013.

Throughout 2013, each member of the Supervisory Board was able to secure sufficient time for the proper performance of his or her duties. This was confirmed by the high frequency of meetings and ad hoc conference calls in combination with a very high attendance rate, as shown in the table above.

All members were independent in accordance with principle III.2 of the Dutch Corporate Governance Code. With four male (66%) and two female (33%) members, the composition of the Supervisory Board complied with the gender diversity rules of the Dutch Management and Supervision Act (‘Wet Bestuur en Toezicht’).

The members represented four different nationalities. Their average age at the end of 2013 was 62, with ages ranging between 47 and 73. Most of the members possess a university degree or equivalent. Functional expertise covers finance and general management, and business experience ranges geographically from Europe and North America to Asia.

In 2013, TNT Express complied with the requirement of the Dutch Corporate Governance Code stipulating that a Supervisory Board member may not hold more than five memberships in supervisory boards of Dutch listed companies (including TNT Express), a chairmanship counting twice.

Matters pertaining to the Executive Board

CEO succession

Immediately following the withdrawal of UPS’ merger offer in January, an executive search was initiated by the Supervisory Board for a CEO to take over from Mr Bot, who served as CEO ad interim since September 2012. A dedicated selection committee was established comprising four members of the Supervisory Board. The committee drew up a list of selection criteria and engaged a professional executive search firm to perform an international search. Mr Gunning was excluded from this process as he was already considered a potential candidate. Following an extensive process, the Supervisory Board found Mr Gunning to be the strongest candidate on the list of internal and external candidates, in view of his extensive international business experience in executive positions. His track record in successfully turning around businesses and delivering results and shareholder value were also considered as highly valuable to the company.

During the selection procedure for the new CEO, the Supervisory Board acknowledged the importance of a balanced composition of the Executive Board. Suitable female candidates were identified in the search process, however, they proved not to be available. As a result, the composition of the Executive Board in 2013 did not comply with the gender diversity rules recommended by the Dutch Management and Supervision Act.

Contract

In compliance with the Dutch Management and Supervision Act, which took effect in January 2013, TNT Express concluded a service agreement with Mr Gunning. The agreement is for a period of four years and ends by operation of law on 1 June 2017. Mr Bot’s employment agreement remained unaffected as it already existed at the effective date of the Act. Mr Bot’s employment agreement is for an indefinite period and ends either on the date of his retirement or by notice of either party, requiring a notice period of six months.
FINANCIAL STATEMENTS AND PROFIT APPROPRIATION

The 2013 (consolidated) financial statements as included in the annual report has been audited by PricewaterhouseCoopers Accountants N.V. (PwC) and presented to the Supervisory Board in the presence of the Executive Board and the external auditor. Refer to pages 143 to 146 of chapter 5 for PwC’s report.

Members of the Supervisory Board have signed the financial statements pursuant to their statutory obligation under article 2:101(2) of the Dutch Civil Code (‘Burgerlijk Wetboek’). Members of the Executive Board have signed the financial statements pursuant to their statutory obligation under article 2:101(2) of the Dutch Civil Code and article 5:25c (2)(c) of the Dutch Financial Markets Supervision Act (‘Wet op het financieel toezicht’). Refer to page 11 of chapter 1.

The Supervisory Board recommended that the Annual General Meeting of Shareholders, to be held on 9 April 2014, adopts the 2013 consolidated financial statements of TNT Express. The Annual General Meeting of Shareholders will be asked to release the members of the Executive Board and of the Supervisory Board from liability in the exercise of their duties. Refer to page 148 of chapter 5 for the appropriation of results as approved by the Supervisory Board.

The Supervisory Board endorsed the Executive Board’s view on 2013. The Supervisory Board approved the decision of the Executive Board to propose to compensate the loss out of the distributable part of the shareholders’ equity and to pay a pro forma dividend out of the distributable part of the shareholders’ equity. The proposed final dividend is €0.024 per share. The €0.022 per share interim dividend, together with the proposed final dividend, (€0.046 per share in total), represents a payout of 40% of normalised net income (‘profit attributable to equity holders of the parent’ adjusted for significant one-off and exceptional items) over the full year 2013, in line with the dividend guidelines.

The discussion of the internal control recommendations with the external auditor revealed no issues that need to be mentioned in the report of the Supervisory Board.

COMPLIANCE WITH BY-LAWS

In 2013, no decision was taken by the Supervisory Board that did not comply with its by-laws.

A WORD OF THANKS

The Supervisory Board wishes to thank the Executive Board and all employees of TNT Express for their contributions in 2013.

Supervisory Board
Antony Burgmans
Mary Harris
Roger King
Shemaya Levy
Margot Scheltema
Sjoerd Vollebregt

Hoofddorp, 18 February 2014
III. CORPORATE GOVERNANCE

The Supervisory Board of TNT Express currently consists of six members.

A. (Antony) Burgmans
(1947, Dutch) Chairman
Initial appointment 2011
Current term of office 2011-2015

- Non-executive board member of BP plc. (UK); chairman of the supervisory board of Intergamma B.V.; member of the supervisory boards of AkzoNobel N.V., AEGON N.V., SHV Holdings N.V. and Jumbo Supermarkt B.V.; and former chairman and CEO of Unilever N.V. and plc.
- Chairman of the Chairman’s & Nominations Committee
- Member of the Remuneration Committee

M. E. (Mary) Harris
(1966, British)
Initial appointment 2011
Current term of office 2011-2015

- Independent supervisory board member of Scotch & Soda B.V., non-executive director at J. Sainsbury plc.; member of the supervisory board of Unibail-Rodamco; and former member of the supervisory board of TNT N.V.
- Chairman of the Remuneration Committee and Strategy Committee
- Member of the Audit Committee and Chairman’s & Nominations Committee

R. (Roger) King
(1940, American)
Initial appointment 2011
Current term of office 2011-2014

- Non-executive director of Orient Overseas International Ltd.; former member of the Supervisory Board of TNT N.V.; former president and CEO of Sa Sa International Holdings Ltd.; former chairman and CEO of ODS System-Pro Holdings Ltd.; former MD and COO of Orient Overseas International Ltd. and former non-executive director of Arrow Electronics, Inc. Honorary Consul, Republic of Latvia in HKSAR, Adjunct Professor of Finance at Hong Kong University of Science and Technology.
- Member of the Remuneration Committee and Chairman’s & Nominations Committee

S. (Shemaya) Levy
(1947, French) Vice-Chairman
Initial appointment 2011
Current term of office 2013-2017

- Member of the supervisory boards of Segula Technologies Group, AEGON N.V. and the PKC Group (Finland); former member and vice-chairman of the supervisory board of TNT N.V.; former member of the supervisory boards of Nissan and Renault Finance, Renault Spain and Safran; and former CEO of Renault Industrial Vehicles Division and executive vice-president and CFO of Renault Group.
- Chairman of the Audit Committee
- Member of the Remuneration Committee and Chairman’s & Nominations Committee

Sj. S. (Sjoerd) Vollebregt
(1954, Dutch)
Initial appointment 2013
Current term of office 2013-2017

- Chairman and chief executive officer of Fokker Technologies B.V., previously held positions as chairman of the board of management and CEO of Stork B.V.; executive board member and deputy chief executive Freight Forwarding & Technology Division America-Europe of Exel plc. (London) and as regional chief executive Central & Eastern Europe, member of the Logistics board of Ocean plc. (London).
INTRODUCTION

TNT Express aspires to high standards of corporate governance. Over the last years, it has sought to constantly enhance and improve its corporate governance standards and framework, emphasising transparency, in accordance with applicable laws and regulations.

This section contains an overview of the corporate governance of TNT Express N.V. It also includes the information and statements that must be provided according to the Dutch governmental decree of 20 March 2009 (Stb. 2009, 154). The overview provides a selection of the relevant rules and regulations. Refer to TNT Express’ corporate website (www.tnt.com/corporate) to view the full text of TNT Express’ internal regulations, including its Articles of Association.

Corporate governance changes compared to 2012 include the introduction of a new Strategy Committee of the Supervisory Board, the transformation of the Supervisory Board’s Nominations Committee into a Chairman’s & Nominations committee, and the formation of a compliance function comprising Internal Audit, Internal Control, Risk Management, Business Ethics and Export Control.

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**Internal regulations, policies and processes, including:**
- Articles of Association
- Business Principles
- By-laws Supervisory Board
- By-laws Executive Board
- COSO – ERM
- Key controls/CWC
- Company policies
- Corporate responsibility standards

**External regulations, including:**
- Dutch Corporate Governance Code
- Dutch Civil Code
- Dutch Financial Markets Supervision Act
- NYSE Euronext listing rules

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**General**

TNT Express N.V. is a public limited liability company incorporated in the Netherlands, with its registered seat in Amsterdam, and governed by Dutch law. TNT Express is organised in a two-tier system, comprising an Executive Board and a Supervisory Board. The Executive Board has ultimate responsibility for establishing the mission, vision and strategy for TNT Express and is charged with overall management and performance. The Supervisory Board supervises and advises the Executive Board. Certain important resolutions made by the Executive Board are subject to approval by the Supervisory Board. The two boards are independent of each other and are accountable to the Annual General Meeting of Shareholders.

As illustrated in the diagram above, the Executive Board is supported by a Functional Board, the managing directors of the business units and dedicated functions responsible for compliance, financial reporting, legal, human resources and business control. Refer to page 47 for a description of the composition of the Functional Board.

TNT Express’ corporate governance structure and processes are based on external regulations (including the Dutch Civil Code, Dutch Financial Markets Supervision Act, Dutch Corporate Governance

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5 Company Wide Controls.
Governance
Chapter 4

Code and NYSE Euronext listing rules) complemented by its Articles of Association, Business Principles, by-laws, controls and policies based on external legal and regulatory obligations, and internationally recognised corporate responsibility standards.

In the second half of 2014, TNT Express will adjust to a new executive structure.

SUPERVISORY BOARD

General
The Supervisory Board supervises the policies and performance of the Executive Board and the general course of affairs of TNT Express. The Supervisory Board also advises the Executive Board. At least once a year, the Executive Board must inform the Supervisory Board of the main aspects of the strategic policy, general and financial risks, corporate responsibility policy and the management and auditing systems of TNT Express. A number of important resolutions of the Executive Board are subject to approval by the Supervisory Board pursuant to the Articles of Association of TNT Express.

In fulfilling its role, the Supervisory Board is required to act in the interest of TNT Express and the enterprise connected therewith. The Supervisory Board shall take into account the relevant interests of the company’s stakeholders and, to that end, consider all appropriate interests associated with the company. Members of the Supervisory Board perform their duties without mandate and are independent of any particular interest in the business of the company. The Supervisory Board is responsible for the quality of its own performance and therefore annually reviews its performance. The responsibility for proper performance of its duties is vested in the Supervisory Board as a whole. The members of the Supervisory Board are not authorised to represent TNT Express in dealings with third parties, except if determined otherwise by the Supervisory Board in events where one or more members of the Executive Board have a conflict of interest.

Each member of the Supervisory Board must be capable of assessing the broad outline of the tasks and responsibilities of the Supervisory Board. Collectively, the Supervisory Board needs to cover all required expertise, skills and competencies to fulfil its duties with each member having the specific expertise required to fulfil the duties assigned to his or her designated roles. Each member should secure sufficient time available for the proper performance of their duties and ensure independence in accordance with principle III.2 of the Dutch Corporate Governance Code.

Composition of the Supervisory Board
TNT Express’ Articles of Association stipulate that the Supervisory Board consists of a minimum of three members. The Supervisory Board has discretion on the number of its members. The Supervisory Board has prepared a profile, which is evaluated annually, of its size and composition, taking into account the nature of TNT Express’ business and activities and the desired expertise and background of the members of the Supervisory Board. The profile is attached to the by-laws of the Supervisory Board which can be viewed on TNT Express’ corporate website (www.tnt.com/corporate).

The Dutch Management and Supervision Act, which came into effect as per 2013, requires that large legal entities should strive to have a balanced distribution on its Executive Board and Supervisory Board, with at least 30% of the seats occupied by women, and at least 30% by men.

Conflict of interest
If a member of the Supervisory Board becomes aware of any significant (potential) conflict of interest, the member must report this immediately to the chairman, providing all relevant information. If the (potential) conflict concerns the chairman, he must report to the vice-chairman. A decision to enter into a transaction involving such a conflict of interest requires the approval of the Supervisory Board.

External advice
Members of the Supervisory Board are permitted to obtain independent professional advice at the expense of TNT Express.

Appointment and removal
The members of the Supervisory Board are appointed by the general meeting of shareholders. The Supervisory Board will nominate one or more candidates for each vacant seat. A resolution of the general meeting of shareholders to appoint a member of the Supervisory Board in accordance with a nomination by the Supervisory Board can be adopted with an absolute majority of the votes cast. If the nomination by the Supervisory Board with respect to a vacant seat consists of a list of two or more candidates, this list is binding. The vacant seat must be filled by electing a person from this list. A resolution of the general meeting of shareholders to appoint a member of the Supervisory Board other than in accordance with a nomination by the Supervisory Board, or to deprive a binding list of
candidates from its binding character, requires an absolute majority of votes representing at least one-third of the issued share capital.

A member of the Supervisory Board must resign no later than at the end of the general meeting of shareholders held four years after his or her last appointment. The members of the Supervisory Board must resign periodically in accordance with a rotation plan drawn up by the Supervisory Board. The rotation plan is attached to the by-laws of the Supervisory Board which can be viewed on TNT Express’ corporate website (www.tnt.com/corporate). A resigning member of the Supervisory Board may be reappointed. A member of the Supervisory Board may be appointed for a maximum of three four-year terms. The general meeting of shareholders may suspend or remove any member of the Supervisory Board at any time. A resolution of the general meeting of shareholders to suspend or remove a member of the Supervisory Board other than in accordance with a proposal of the Supervisory Board requires an absolute majority of votes representing at least one-third of the issued share capital.

Chairman and Corporate Secretary
The chairman of the Supervisory Board determines the agenda and presides over meetings of the Supervisory Board. The chairman is responsible for the proper functioning of the Supervisory Board and its committees. The Supervisory Board is assisted by TNT Express’ corporate secretary. The corporate secretary is appointed as secretary to both the Supervisory Board and the Executive Board.

Committees of the Supervisory Board
To facilitate its functioning, the Supervisory Board may appoint standing and/or ad hoc committees from among its members. The responsibilities and composition of any committee are determined by the Supervisory Board. The Supervisory Board must, in any event, appoint an Audit Committee, a Remuneration Committee, and a Nominations Committee. The powers of the committees are based on a mandate from the Supervisory Board and do not include the right to decision making. The Supervisory Board shall remain collectively responsible for decisions prepared by its committees. The TNT Express Supervisory Board has currently formed an Audit Committee, a Remuneration Committee, a Strategy Committee, and a Chairman’s & Nominations Committee. The terms of reference of these committees can be viewed on TNT Express’ corporate website (www.tnt.com/corporate).

Audit Committee
The Audit Committee is charged with assisting the Supervisory Board in monitoring and advising on: the integrity of TNT Express’ financial and corporate responsibility reporting and reporting processes; its financing and finance-related strategies; its system of internal control and financial reporting and its system of risk management. The Audit Committee reviews the independence of the external auditor and the functioning of internal audit, tax planning and compliance with relevant primary and secondary legislation and codes of conduct. The Audit Committee has the authority to retain independent advisors as it deems appropriate. The Audit Committee consists of at least three members of which each must be financially literate. At least one member must have an accounting background or related financial management expertise.

Remuneration Committee
The Remuneration Committee is tasked with the preparation of the Executive Board and Supervisory Board remuneration policy, which policies are submitted by the Supervisory Board to the general meeting of shareholders for adoption. The committee also makes proposals to the Supervisory Board for the remuneration of the individual members of the Executive Board. In addition, the committee prepares the allocation of rights to shares in TNT Express’ share capital to other senior management within TNT Express. This allocation is effectuated by the CEO and is subject to approval by the Supervisory Board.

Strategy Committee
The Strategy Committee is an ad hoc committee of the Supervisory Board. Its purpose is to assist the Executive Board in developing and implementing strategy by acting as a sounding board, including debating and challenging the approach, findings and risks of strategies developed by the Executive Board. The formulation of the strategy remains the exclusive responsibility of the Executive Board, and approval of the strategy and the assessment of the associated risks rest with the Supervisory Board. The Strategy Committee commenced in July 2013 and will be effective at least until April 2014.

Chairman’s & Nominations Committee
In 2013, the Nominations Committee was transformed into the Chairman’s & Nominations committee. The committee develops selection criteria and appointment procedures for members of the Supervisory Board and the Executive Board. It establishes procedures to secure adequate succession of members of the Executive Board and to assess such candidates as well as the size and composition of the Supervisory Board and the Executive Board. It also creates proposals for the profile of the Supervisory Board, reviews the functioning of individual members of the Supervisory Board and of the Executive Board. It reports its findings to the Supervisory Board. The committee also makes proposals for
nominations, appointments and reappointments. At least on an annual basis, the size and composition of the Supervisory Board and the Executive Board and the functioning of their individual members are assessed by the committee and discussed by the Supervisory Board. In addition to the above, the Chairman’s & Nominations Committee provides a platform for members of the Supervisory Board to give an opinion on any relevant matter or to bring any appropriate issue to the attention of the chairman. The committee consists of all six members of the Supervisory Board and is chaired by the chairman of the Supervisory Board.
EXECUTIVE BOARD

The Executive Board of TNT Express currently consists of two members.

Tex Gunning
(1950, Dutch)
Appointment - 2013
Current term of office 2013 - 2017

Mr Gunning was appointed to the Executive Board and designated as CEO as per 1 June 2013. He was a member of the Supervisory Board of TNT Express N.V. until 25 February 2013; former member of the executive board of AkzoNobel N.V.; former business group president of Unilever N.V. and plc.; former chairman and CEO of Vedior N.V.
- Mr Gunning is a member of the Supervisory Board of Royal FrieslandCampina N.V.

Bernard Bot
(1966, Dutch)
Appointment - 2011
Current term of office 2011 - 2015

Mr Bot has been a member of the Executive Board and CFO of TNT Express N.V. since 2 March 2011. From 24 September 2012 to 1 June 2013, he held the position of interim CEO. From August 2010 until its demerger in 2011, Mr Bot was acting CFO of TNT N.V.

He joined TNT N.V. in 2005 as Group Business Control Director. Before TNT N.V., he was employed at McKinsey & Company for 13 years, where he was a partner serving clients in the post, logistics and transportation sectors.
- Mr Bot is a member of the Supervisory Board of Avio-Diepen B.V.

General
The Executive Board is entrusted with the day-to-day management of TNT Express, which includes: deploying its strategy; managing its operations, risk profile and financing; achieving its objectives; and addressing compliance and corporate responsibility issues. The Executive Board may perform all acts it deems necessary or useful for achieving the corporate purposes of TNT Express, except for those expressly attributed to the general meeting of shareholders or the Supervisory Board as a matter of Dutch law or pursuant to the Articles of Association. The members of the Executive Board have joint powers and responsibilities, and share responsibility for all decisions and acts of the Executive Board and for the acts of each individual member of the Executive Board. The Executive Board may only adopt resolutions with an absolute voting majority.

The Executive Board has formed several bodies to ensure compliance with applicable internal and external regulations. The Disclosure Committee advises and assists the Executive Board in ensuring that the disclosures of TNT Express in all reports are full, fair, accurate, timely and understandable, and that they fairly present the condition of TNT Express in all material respects. The Ethics Committee advises and assists the Executive Board in developing and implementing policies and procedures aimed at enhancing integrity and ethical behaviour and preventing fraud throughout TNT Express worldwide, in monitoring compliance with integrity and ethical behaviour standards and in deciding upon remedial actions in case of violations. The Corporate Responsibility (CR) Steering Committee advises and assists the Executive Board in developing, executing and monitoring the performance of TNT Express’ CR strategy and its associated policies and procedures. The CR Steering Committee is chaired by the CEO.

Appointment and removal
The Executive Board consists of two or more members. In the event a seat is becoming vacant, the Supervisory Board will nominate one or more candidates for each vacant seat. A resolution of the general meeting of shareholders to appoint a member of the Executive Board in accordance with a Supervisory Board nomination can be adopted with an absolute majority of the votes cast. If the Supervisory Board nomination with respect to a vacant seat consists of a list of two or more candidates, this list is binding and the vacant seat must be filled by electing a person from this list. A resolution of the general meeting of shareholders to appoint a member of the Executive Board other than in accordance with a Supervisory Board nomination, or to deprive a binding list of candidates from its binding character, requires an absolute majority of votes representing at least one-third of the issued share capital of TNT Express.

The general meeting of shareholders may suspend or remove any member of the Executive Board. A resolution of the general meeting of shareholders to suspend or remove a member of the Executive Board other than pursuant to a proposal by the Supervisory Board requires an absolute majority of votes representing at least one-third of the issued share capital of TNT Express. The Supervisory Board may also suspend any member of the Executive Board. The general meeting of shareholders may terminate a suspension by the Supervisory Board at any time.
Conflict of interest

If a member of the Executive Board becomes aware of any significant (potential) conflict of interest, he must report this immediately to the chairman of the Supervisory Board and to the other members of the Executive Board, providing all relevant information. If a conflict of interest is established, the company will be represented by another member of the Executive Board or by 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 Executive Board that is of (material) significance to TNT Express or to the relevant member requires the approval of the Supervisory Board. No such transactions were entered into in 2013.

Contract

The legal relationship between TNT Express and a member of the Executive Board is to be classified as an agreement to provide services under civil law, which exists in addition to their relationship under company law. The Executive Board member does not enjoy protection under employment law, such as the right to compensation in case of dissolution or unfair dismissal. However, if a member of the Executive Board operates under an employment agreement already existing on 1 January 2013, the relationship with the company is regarded as an employment agreement. If it was concluded for an indefinite period of time, the agreement ends either on the date of retirement or by notice of either party, requiring a notice period of six months.

Issuance of shares

The Executive Board has been designated by the general meeting of shareholders as competent body to issue ordinary and preference shares and to grant rights to subscribe for ordinary and preference shares until 10 October 2014. The authority of the Executive Board as regards the issuance of ordinary shares is restricted to a maximum of 10% of the total issued and outstanding share capital at the time of issuance plus a further issuance up to 10% of the total issued and outstanding share capital at the time of issuance in case an issue occurs as part of a merger or acquisition. The authority to issue preference shares and to grant rights to subscribe for preference shares is not limited and concerns all preference shares which are not yet issued from the authorised capital as it will read from time to time.

The Executive Board has also been designated by the general meeting of shareholders as competent body to restrict or exclude pre-emptive rights upon issuance of ordinary shares (including the granting of rights to subscribe for ordinary shares) until 10 October 2014. A resolution of the Executive Board to issue ordinary or preference shares, or to grant rights to subscribe to shares, is subject to the approval of the Supervisory Board.

Acquisition of own shares

The general meeting of shareholders authorised the Executive Board to acquire fully paid-up ordinary shares in the capital of the company through a purchase on the stock exchange or otherwise for a term of 18 months until 10 October 2014, up to 10% of the nominal amount of its total issued and outstanding share capital. The acquisition can take place for a price per share of at least the nominal value and at most the quoted ordinary share price plus 10%. The quoted share price is the average of the closing prices of an ordinary share according to the ‘Official Price List of Euronext Amsterdam N.V.’ for a period of five trading days prior to the day of repurchase. A resolution of the Executive Board relating to the acquisition of own shares is subject to the approval of the Supervisory Board.

FUNCTIONAL BOARD

The Functional Board of TNT Express supports the Executive Board in its oversight of operations and implementation of the company’s strategy. The Functional Board currently has nine members: the CEO, the CFO, and seven members drawn from key functions (finance, human resources, ICS, marketing & strategy, networks, operations and sales) to ensure that TNT Express is managed as an integrated global business.

PREVENTION OF INSIDER TRADING

Members of the Supervisory Board, the Executive Board and other senior management of TNT Express are subject to the TNT Express Policy on Prevention of Insider Trading. This policy sets forth rules of conduct to prevent trading in financial instruments of TNT Express when in possession of inside information. Transactions in TNT Express shares carried out by members of the Supervisory Board or Executive Board are notified to the Dutch Authority for Financial Markets (‘AFM’) in accordance with Dutch law.

The Supervisory Board has adopted a policy concerning the ownership of transactions in securities other than financial instruments of TNT Express by the Executive Board and the Supervisory Board. This policy is incorporated in the by-laws of the Executive Board and the Supervisory Board.
requires that each member of the Executive Board and Supervisory Board give periodic notice of any changes in his or her holding of securities in Dutch listed companies. A member of the Executive Board or the Supervisory Board who invests exclusively in listed investment funds or who has transferred the discretionary management of his or her securities portfolio to an independent third party by means of a written mandate is exempted from compliance with these internal notification requirements.

As for members of the Executive Board, only Mr Bot holds shares in TNT Express. As of 31 December 2013, the total numbers of shares held was 33,749. This excludes any granted rights on (phantom) shares allocated to members of the Executive Board under any of TNT Express’ equity plans and/or any participation in the Executive Board’s variable compensation scheme.

As for members of the Supervisory Board, only Mr Vollebregt holds shares in TNT Express. As of 31 December 2013, the total number of shares held was 10,052.

FOUNDATIONS OF TNT EXPRESS’ CORPORATE GOVERNANCE

The Executive Board is committed to a high standard of corporate governance, information and disclosure, in line with the Dutch Corporate Governance Code and with regulatory requirements. The Executive Board’s compliance statement relative to the Dutch Corporate Governance Code and the Dutch Financial Markets Supervision Act (‘AFM’) can be found on page 11.

COMPLIANCE

In 2013, the Internal Audit, Internal Control, Risk Management, Business Ethics, and Export Control functions were grouped together into one compliance function, under the responsibility of the compliance director.

Internal Audit

The Internal Audit function provides assurance and advice on the quality of governance, risk management and internal control processes company-wide. Its risk-based audit approach is designed to add value and improve the operations of TNT Express by ensuring that controls are being applied effectively and control gaps are addressed. Internal Audit strives to align the cost of control with the size and type of risk and the risk appetite of TNT Express. Internal Audit carries out operational, financial, ICS, compliance, project and corporate responsibility audits within its risk-based approach. The TNT Express audit environment consists of business entities, head office functions, projects and processes. When not selected on the basis of risk each year, the small and medium entities in the risk scope are selected on a rotation basis with the objective of ensuring all entities are audited within a four-year period. The external auditor, compliance director and the Audit Committee are aligned in defining the tasks and plans of the Internal Audit function.

Internal Control

The Executive Board used elements of former obligations under the Sarbanes-Oxley Act in establishing the company’s governance and internal controls over financial reporting (ICFR). Furthermore, the Executive Board has chosen to expand the scope of the ICFR framework beyond the minimum requirements that would have been mandatory according to the Sarbanes-Oxley Act, to include certain smaller entities and most entities acquired in the past few years.

In addition, the approach is based on the principles outlined in Auditing Standards (AS) 2 and takes into account certain elements of the AS 5 as promulgated by the Public Companies Accounting Oversight Board (PCAOB). However, TNT Express’ approach to ICFR does not imply an assessment of the adequacy and effectiveness of TNT Express’ internal control and risk management processes over financial reporting under section 404 of the Sarbanes-Oxley Act, nor is there an assessment by TNT Express’ external auditor to that effect.

Throughout 2013, TNT Express documented and evaluated the design of ICFR. In addition, TNT Express continued a comprehensive programme of testing the operational effectiveness of its ICFR. Further initiatives on entity-level controls were undertaken, including integrity awareness and training and reinforcement of policies and procedures. In 2013, the Executive Board engaged the external auditor to perform specific agreed-upon procedures on the ICFR process in all entities included in the scope of the ICFR programme. The Executive Board believes that this approach develops the discipline needed to maintain and embed ICFR across the company. The findings of the external auditor were reported to the Executive Board and the Audit Committee of the Supervisory Board.

Risk Management

TNT Express has a continuous, formal and structured risk management and reporting system in place. Refer to section V for more information.
Business Ethics
The Business Ethics function manages the policies, procedures and cases related to ethics issues such as conflicts of interest, gifts and entertainment, fraud, whistleblowing and disciplinary actions. Guidance on business ethics is set out in the TNT Express Business Principles and related policies and procedures. The Business Principles are embedded in the strategic and operational decision-making processes and in customer and supplier contracts. To promote compliance, communication and training are rolled out in all business units globally. The procedure on whistleblowing is a crucial complement to this framework. The Business Principles can be viewed on TNT Express’ corporate website (www.tnt.com/corporate).

Export Control
Export controls are important to an international transportation company operating across the globe. TNT Express has embedded screening activities in its processes to ensure screening of all stakeholders, in particular parties to a tendered shipment, against applicable export control and sanctions denied parties lists. The export control function manages the policies, provides advice and coordinates other control activities including export control regulated items, dual use, technical data, payments, and dual nationals.

OTHER CORPORATE FUNCTIONS

Legal
TNT Express’ Legal function facilitates its operations, supports its business and protects its interests. The Legal function handles legal matters that may arise in the business and aims to ensure that the organisation adheres to applicable laws and regulations and practices a high standard of governance.

Human Resources
TNT Express’ Human Resources (HR) function is responsible for attracting, selecting, training, assessing and rewarding employees. It oversees leadership and culture and ensures compliance with employment and labour laws. The HR function supports the business and adds value by building a consistent approach to people management throughout the company. TNT Express has a governance framework in place for HR procedures and processes.

Business Control
The Business Control function is responsible for managing TNT Express’ planning and control cycle and for reviewing and prioritising capital investments. It defines the reporting requirements and prepares analyses to understand and explain the business factors and circumstances that drive the results. It is also responsible for managing the overall TNT Express transfer pricing framework with a focus on analysis, transfer price setting as well as maintenance of and enhancements to transfer pricing systems and processes.

EXTERNAL AUDITOR

The external auditor of TNT Express, PricewaterhouseCoopers Accountants N.V. (PwC), is appointed at the Annual General Meeting of Shareholders. The Audit Committee has the authority, subject to confirmation by the Supervisory Board, to recommend to the Annual General Meeting of Shareholders the appointment or replacement of the external auditor. The Audit Committee is directly responsible for overseeing the work of the external auditor on behalf of the Supervisory Board.

In some instances, TNT Express may use its external auditor to provide assurance-related services where these services do not conflict with the external auditor’s independence. Recent legislation and the TNT Express Policy on Auditor Independence and Pre-Approval governs how and when TNT Express may engage its external auditor. Refer to www.tnt.com/corporate for more information.

The Audit Committee is required to pre-approve, supported by the compliance director, all services to be provided by the external auditor, to assure that these do not impair the auditor’s independence from TNT Express.

Once every three years, the Audit Committee and the Executive Board are required to conduct a thorough assessment of the functioning of the external auditor. The last assessment was conducted in 2013. The lead engagement partner is present at the general meeting of shareholders and may be questioned with regard to his statement on the fairness of the financial statements. The lead engagement partner, other key audit partners, and the quality (review) partner of the external auditor are rotated after a maximum period of seven years. From 2011, the lead engagement partner of PwC in charge of the TNT Express account is Mr Dekkers.
DUTCH CORPORATE GOVERNANCE CODE

The corporate governance structure of TNT Express is based on the requirements of the Dutch Civil Code, laws, TNT Express’ Articles of Association, internal procedures, and the rules and regulations applicable to companies listed on the NYSE Euronext stock exchange. By applying the best practice provisions and explaining deviations, TNT Express complies with the Dutch Corporate Governance Code. An explanation is given below for those instances in which TNT Express does not fully comply with the best practice provisions of the Code. The full text of the Code and the TNT Express Articles of Association and other relevant internal regulations can be viewed in the Corporate Governance section on TNT Express’ corporate website (www.tnt.com/corporate).

Best practice provision II.2.8
This provision stipulates that the remuneration of a member of the board of management, in the event of dismissal, may not exceed one year’s compensation (the ‘fixed’ remuneration component), or, if the one year’s compensation would be manifestly unreasonable in case of a dismissal during the first term of office, a maximum of twice the annual compensation. TNT Express deviates from this best practice by awarding to the current members of the Executive Board a severance payment in case of a change of control equalling the sum of the last annual base compensation and pension contribution plus the average bonus received over the last three years, multiplied by a maximum of two. TNT Express believes that such payment is reasonable taking into account the special position of members of the Executive Board in a change of control situation. Also, in such an event, the Supervisory Board may decide that performance shares vest in whole or in part.

Best practice provision IV.1.1
This provision stipulates that a company’s general meeting may pass a resolution to set aside the binding nature of a nomination for the appointment of a member of the board of management or of the supervisory board and/or a resolution to remove a member of the board of management or of the supervisory board by an absolute majority of the votes cast, which majority may be required to represent a proportion of the issued capital which proportion may not exceed one-third; if this proportion of the capital is not represented at the meeting, but an absolute majority is in favour of any such resolution, a new meeting may be convened at which the resolution may be passed by an absolute majority of the votes cast regardless of the proportion of the capital represented at the meeting.

TNT Express applies this best practice provision except for a minor deviation: for a resolution to appoint a member of the Executive Board or of the Supervisory Board other than in accordance with a nomination by the Supervisory Board, there is no second meeting allowed in which the requirement of one-third of the capital can be set aside. TNT Express deviates from this best practice provision for reasons of stability and continuity.

SHAREHOLDERS

General meetings of shareholders
The Annual General Meeting of Shareholders must be held within six months following the end of each financial year. Typical agenda items are: discussion on the annual report with respect to the general state of affairs and the auditors’ report, adoption of the annual accounts, approval of the profit allocation and granting of discharge to members of the Executive Board and the Supervisory Board.

The Annual General Meeting of Shareholders must be convened by the Executive Board or the Supervisory Board. Notice of the meeting must be given no later than the 42nd day prior to the date of the meeting or, if allowed by law, on a shorter period at the discretion of the Executive Board. The meetings must be held in Amsterdam, the Hague, Hoofddorp or the municipality of Haarlemmermeer, all in the Netherlands. The notice of a general meeting of shareholders is given on TNT Express’ corporate website (www.tnt.com/corporate), with the availability of the notice, published via a press release. The notice includes the requirements for admission to the meeting and an agenda indicating the items for discussion.

Other general meetings of shareholders are held as often as the Executive Board or the Supervisory Board deems necessary. In addition, one or more shareholders may be authorised by the court in interlocutory proceedings of the district court to convene a general meeting of shareholders. These shareholders should jointly represent at least one-tenth of TNT Express’ issued share capital.
**Agenda**

Shareholders representing solely or jointly at least 1% of TNT Express’ issued share capital have a right to request the Executive Board and the Supervisory Board to include items on the agenda of the general meeting of shareholders. The Executive Board and the Supervisory Board must agree to these requests if received at least 60 days prior to the date of the general meeting of shareholders, provided that the reasons for the request are stated and the request – or proposed resolution – is received in writing by the chairman of the Executive Board or the Supervisory Board.

In the event a request is made by one or more shareholders, either to convene a meeting or to place an item on the agenda of a general meeting of shareholders that may result in a change in the company’s strategy, the Executive Board may invoke a reasonable period in which to respond, such period not to exceed 180 days.

**Admission to and voting rights at the meeting**

Each shareholder and each pledgee or usufructuary of shares is entitled to attend and address the general meeting of shareholders, and, as applicable, to exercise the voting attached to the shares, either in person or by proxy. Recognised as persons entitled to take part in, and vote at a general meeting of shareholders are those persons who hold those rights on the record date set for that meeting, pursuant to the law will be the 28th day prior to the date of the meeting. Shareholders and other persons entitled to attend the meeting, and who wish to attend the meeting in person or by proxy must notify the Executive Board of this in writing by the date set out for that purpose in the notice of the meeting (which will be a date not earlier than the 7th day prior to the date of the meeting).

Each shareholder may cast one vote per share held. The general meeting of shareholders may adopt resolutions by a simple majority of the votes cast, except where a larger majority is prescribed by law or by TNT Express’ Articles of Association. Members of the Executive Board and of the Supervisory Board may attend a general meeting of shareholders in an advisory capacity.

**Dissolution and liquidation**

A resolution of the general meeting of shareholders to dissolve TNT Express may only be taken upon proposal by the Executive Board with the approval of the Supervisory Board. The resolution to dissolve TNT Express may be taken by the general meeting of shareholders with an absolute majority of the votes, irrespective of the part of the issued share capital represented. In the event of the dissolution of TNT Express, pursuant to such a resolution, the members of the Executive Board will be charged with the liquidation of the business of TNT Express and the Supervisory Board with the supervision thereof. From the balance of the property of TNT Express remaining after payment of all debts and the costs of the liquidation, first a distribution is made to the holders of the preference shares, if any. This will be the nominal amount paid up on these preference shares and any amounts still owed by way of dividend to which these preference shares are entitled, in so far as this has not been distributed in previous years. If the balance is not sufficient to make this distribution, the distribution must be made in proportion to the amounts paid up on those preference shares. The remainder must be distributed to the holders of ordinary shares in proportion to the aggregate nominal value of their ordinary shares.

**Change to the rights of shareholders**

Rights of shareholders may change pursuant to an amendment of the Articles of Association, a statutory merger or demerger in accordance with Book 2 of the Dutch Civil Code or dissolution of TNT Express. A resolution of the general meeting of shareholders is required to effect these changes. Under TNT Express’ Articles of Association, such a resolution may only be adopted upon a proposal by the Executive Board that has been approved by the Supervisory Board.

**Major shareholders**

The Dutch Financial Markets Supervision Act imposes a duty on shareholders to disclose substantial percentage holdings in the capital and/or voting rights in a company when such holdings reach, exceed or fall below 3%, 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95%. Such disclosure must be made to the Netherlands Authority for the Financial Markets ('AFM') without delay. As per 31 December 2013, the register of AFM disclosed that PostNL N.V. and Arnhold and S. Bleichroeder Holdings, Inc. have a substantial percentage holding in TNT Express N.V. exceeding 5%.

**FOUNDATION**

‘Stichting Continuïteit TNT Express’ (the ‘Foundation’) was established to promote the interests of TNT Express, the enterprise affiliated with TNT Express and all stakeholders involved. These objects include protecting TNT Express as much as possible from influences that are contrary to those interests and could jeopardise the continuity, independence or identity of those interests. The Foundation must endeavour to achieve these objects by acquiring and holding preference shares and by exercising the rights attached to those preference shares. The objects of the Foundation do not entail the sale or
encumbrance or other disposal of shares, with the exception of the sale to TNT Express or to another company assigned by and affiliated in a group with it, as well as the assistance in the repayment or withdrawal of preference shares.

The Foundation is an independent legal entity in the sense of section 5:71 paragraph 1 sub c of the Dutch Financial Supervision Act.

To enable the Foundation to perform its duties, TNT Express has granted it a call option. When exercising the call option, the Foundation is entitled to subscribe to preference shares, consisting of the right to repeatedly subscribe for preference shares, up to a maximum corresponding with one hundred percent (100%) of the issued share capital in the form of ordinary shares as outstanding immediately prior to the exercise of the subscribed rights, less one preference share and minus any shares already held by the Foundation. The Foundation has the right to exercise the call option at any time either wholly or partly.

The Foundation may exercise the call option for certain reasons, including:

− to prevent, slow down or otherwise complicate an unsolicited takeover bid for, and an unsolicited acquisition of ordinary shares by means of an acquisition at the stock market or otherwise;
− to prevent and countervail concentration of voting rights in the general meeting of stakeholders; and
− to resist unwanted influence by and pressure from shareholders to amend the strategy of TNT Express;

and with respect to the foregoing, to give TNT Express the opportunity to consider and to explore possible alternatives and, if required, to work these out and to implement them, in the event an actual or threatening concentration of voting rights arises among the shareholders, which, according to the (provisional) judgement of the Executive Board and the Supervisory Board and the board of the Foundation, is considered to be unsolicited and not in the interest of TNT Express and its enterprise, and to enable TNT Express to do so by (temporarily) neutralising such concentration of voting rights.

As from six months after the issuance of the preference shares to the Foundation, the Foundation may require TNT Express to convene a general meeting of stakeholders to propose cancellation of the preference shares against repayment of the paid amount. If preference shares are issued, TNT Express must convene a general meeting of stakeholders, to be held no later than 12 months after the date on which the preference shares were issued for the first time or 60 days after the Foundation has demanded the cancellation of its preference shares. The agenda for that meeting of stakeholders must include a proposal for a resolution relating to the repurchase or cancellation of the preference shares.

TNT Express has granted the Foundation the right to file an application for an inquiry into the policy and the course of events of TNT Express with the Enterprise Chamber of the Amsterdam Court of Appeal (‘Ondernemingskamer’). TNT Express believes that this may be a useful option, amongst others, in the period before the issuance of preference shares as it does not cause a dilution of the rights of other shareholders. To enable the Foundation to function properly, the Executive Board holds meetings with the Board of the Foundation on a regular base.

The members of the board of the Foundation are Mr Bouw (chairman), Mr Tiemstra and Ms Tonkens-Gerkema. All members are independent from TNT Express. The Foundation has its official seat in Amsterdam, the Netherlands, with its address at Taurusavenue 111, 2132 LS Hoofddorp, the Netherlands.
IV. REMUNERATION REPORT

REMUNERATION GOVERNANCE

The Supervisory Board proposes the remuneration policy for adoption by the general meeting of shareholders. The contracts of the members of the Executive Board are drawn up by the Supervisory Board in accordance with this policy. The Remuneration Committee is responsible for assessing and preparing the remuneration policy of the Executive Board. The committee prepares its proposals independently, after careful consideration.

TNT Express’ remuneration policy complies with all relevant Dutch legal requirements and the Dutch Corporate Governance Code. The single deviation from the best practice provisions of the Code is related to a change of control and is explained on page 50. In preparing the remuneration policy, the Remuneration Committee takes into account the difference between the highest paid and the lowest paid employee, and the remuneration of senior management reporting to the Executive Board in order to ensure a consistent and aligned remuneration practice within TNT Express.

REMUNERATION POLICY

The objective of the remuneration policy is to retain, motivate and attract qualified and high calibre members of the Executive Board, with an international mindset and background essential for the successful leadership and effective management of a large international company. The remuneration policy aligns the objectives of all stakeholders, is performance-based and aims to stimulate well-balanced long-term management behaviour. The remuneration policy of other senior management is aligned with the remuneration policy of the Executive Board.

The remuneration structure for members of the Executive Board is designed to balance short-term operational performance with the long-term objectives of TNT Express and value creation for its shareholders. The remuneration package consists of:

− base compensation;
− variable income: direct and deferred compensation (dependent on performance relative to preset company targets); and
− pension provisions.

In order to provide a consistent review of the total level and structure of remuneration, the components of the remuneration package, and the total compensation of the members of the Executive Board are benchmarked every three years against a European reference group, with an additional assessment against a Dutch peer group, unless the Supervisory Board decides otherwise. A benchmark test was executed at the end of 2013. Refer to the 'Benchmark test' section in this chapter for more information.

In 2013, no changes were made to the TNT Express remuneration policy for the Executive Board.

REMUNERATION – 2013

In 2013, members of the Executive Board received a base compensation, a variable component (short-term incentive, consisting of the equity component only; and long-term incentive), a temporary allowance for ad interim appointment (if applicable), other periodic compensation, and contributions to pension provisions.

The reported 2013 remuneration of Mr Gunning represents income received as of 1 June 2013, the starting date of his assignment as CEO. Mr Seyger’s reported remuneration represents income received during his term as CFO ad interim, which ended on 31 May 2013. Refer to note 19 in chapter 5 for more information.

The following table highlights the elements of the 2013 remuneration for the individual members of the Executive Board:
Base compensation – 2013
The base compensation of members of the Executive Board has remained unchanged since 2011. The 2013 annual base fee for Mr Gunning was €750,000 and the annual base salary for Mr Bot amounted to €500,000.

Due to his appointment as of 1 June 2013, Mr Gunning received a total base fee of €437,500. Mr Seyger acted as CFO ad interim up to 31 May 2013. From 1 January 2013 to 31 May 2013, Mr Seyger received a total base salary of €100,540.

Temporary allowance for the ad interim CEO and ad interim CFO
The temporary allowance for Mr Bot equals the difference between the base salary of the former CEO and the base salary of Mr Bot as CFO. The temporary allowance for Mr Seyger equals the difference between the base salary of Mr Bot as CFO and the base salary of Mr Seyger in his position prior to his appointment as CFO ad interim. Mr Bot and Mr Seyger received total temporary allowances of €104,167 gross and €112,071 gross, respectively, in line with the period of their ad interim appointments.

Variable income – 2013

Variable income in cash

Short-term incentive
In accordance with the remuneration policy, an ‘on target’ performance is rewarded with a bonus of 50% of the annual base compensation; a ‘stretch’ performance applies in case a ‘stretch’ company results target is met, and is rewarded with an additional 25% of the annual base compensation.

In line with previous years, the focus areas for the 2013 short-term incentive were:

- 60% financial targets, comprising:
  - 70% company results
  - 30% net cash flow from continuing operations
- 40% non-financial targets (equally weighted), comprising:
  - Customers: customer satisfaction
  - Employees: management development and employee engagement
  - Sustainability: health and safety, and environment

Results relating to the financial and non-financial targets lead independently to a bonus payout.

The Supervisory Board has assessed and scored the performance against the targets and objectives set for 2013. The following table sets out the 2013 targets, their weighting, the performance achieved and the related payout:
Targets variable income - Executive Board

<table>
<thead>
<tr>
<th>Target</th>
<th>Focus area</th>
<th>Weighting</th>
<th>Performance</th>
<th>Payout as a % of base salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>60% financial</td>
<td>Company results</td>
<td>70%</td>
<td>Target almost met</td>
<td>20.83%</td>
</tr>
<tr>
<td></td>
<td>Net cash</td>
<td>30%</td>
<td>Target not met</td>
<td>0.00%</td>
</tr>
<tr>
<td>40% non-financial</td>
<td>Customers</td>
<td>33.3%</td>
<td>Target not met</td>
<td>0.00%</td>
</tr>
<tr>
<td></td>
<td>Employees</td>
<td>33.3%</td>
<td>Target partially met</td>
<td>3.34%</td>
</tr>
<tr>
<td></td>
<td>Sustainability</td>
<td>33.3%</td>
<td>Target partially met</td>
<td>3.34%</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td>27.51%</td>
</tr>
</tbody>
</table>

Taking into account the current performance and the major restructurings within the company, Mr Gunning and Mr Bot have decided to fully waive their 2013 short-term incentive entitlements.

Variable income in equity

Bonus/matching plan

A member of the Executive Board may participate in the bonus/matching plan by investing a maximum of 50% of the gross payout of the short-term incentive of the previous year in TNT Express shares. However, the investment in TNT Express shares cannot be more than the net proceeds of the bonus. After a three-year holding period, these shares will be matched on a one-to-one basis.

If the company results’ target is met every year during this three-year holding period, a maximum additional match will be made on a one-to-two basis, resulting in a total award of three matching shares per invested share. If the performance is below the company results’ target, no additional matching shares will be delivered for that specific year.

In 2013, only Mr Bot was eligible to participate in the bonus/matching plan. Mr Bot invested the maximum net proceeds of his 2012 bonus as allowed under the plan.

Long-term incentive

2013 Grant

The Supervisory Board can award conditional rights to TNT Express shares to members of the Executive Board under the TNT Express performance share plan. For 2013, the award was based on a value of 30% of the annual base compensation, in accordance with the remuneration policy. The actual number of rights to shares granted is determined by dividing the available amount (30% of the annual base compensation) by the fair value of the right to a share according to IFRS.

The performance shares vest after a three-year period. The actual number of shares that vest depends on the performance of the following performance measures:
- 50% financial target: the total shareholder return (TSR) performance of the company measured on a three-year basis against a peer group of companies (full AEX)
- 50% non-financial targets: customers, employees, and sustainability measured on an annual basis

Mr Gunning was not eligible for the 2013 award since he was not a member of the Executive Board at the time of the grant.

2012 Compensation grant

Due to the UPS offer, the Supervisory Board announced at the 2012 Annual General Meeting of Shareholders, held in April 2012, the suspension of the launch of the TNT Express performance share plan for the Executive Board and senior management. The Supervisory Board also announced that, at its discretion, the 2013 grant of performance shares may include compensating elements for the delay. The Supervisory Board decided to provide for a 2012 compensation grant in 2013 and to limit the maximum value of this compensation grant to 50% of the regular annual grant value (i.e. 50% of 30% of the annual base compensation).

The following rules apply to the 2012 compensation grant:
- the regular three-year vesting period is shortened to two years (vesting in 2015);
- the actual number of awarded compensation shares is adjusted for the 2012 performance against the non-financial targets; and
- the vesting of the awarded compensation shares is contingent on continued employment at the vesting date.
The following schedule shows the 2012 performance on the non-financial targets:

**2012 performance on non-financial targets**

<table>
<thead>
<tr>
<th>Non-financial targets</th>
<th>Performance</th>
<th>Payout as a % of base allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees: Employee engagement</td>
<td>Target not met</td>
<td></td>
</tr>
<tr>
<td>Employees: Management development</td>
<td>Target met</td>
<td>16.67%</td>
</tr>
<tr>
<td>Customers: Customer satisfaction</td>
<td>Target met</td>
<td>33.33%</td>
</tr>
<tr>
<td>Sustainability: Dow Jones Sustainability Index</td>
<td>Target met</td>
<td>16.67%</td>
</tr>
<tr>
<td>Sustainability: Health and safety</td>
<td>Target not met</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>66.67%</strong></td>
</tr>
</tbody>
</table>

The value of the compensation grant was 10% of the annual base compensation (i.e., 50% x 30% annual base compensation x performance score of 66.67%). Mr Gunning was not eligible for this compensation award since he was not a member of the Executive Board in 2012. The actual number of rights to shares granted is determined by dividing the available amount (10% of the annual base compensation) by the fair value of the right to a share according to IFRS.

**Pension – 2013**

The company’s pension scheme for members of the Executive Board is a career average scheme of which the main features are:
- retirement age at 65 years;
- pensionable income based on average annual base salary only;
- annual accrual rate for the old-age pension of 2.25%;
- offset for state pension at fiscal minimum;
- benefits indexed during accrual (dependent on the financial situation of the fund); and
- employee contribution to the pension scheme of 3% of base salary (contribution can be adjusted).

The scheme is applicable to Mr Bot and includes entitlement to a pension in the event of illness or disability and a spouse’s and/or dependant’s pension in the event of death.

Mr Gunning is not eligible to participate instead a monthly compensation of 25% of his monthly base fee is made available for a retirement provision.

The senior management pension scheme for Mr Seyger remained applicable during the period of his ad interim appointment.

**Severance – 2013**

The contractual severance payments for members of the Executive Board are summarised as follows:
- The TNT Express remuneration policy provides that severance payment other than related to a change of control is equal to one year’s base compensation, or a maximum of two years’ base compensation in the first four-year term if one year is considered unreasonable.
- In the contracts of Mr Gunning and Mr Bot, the severance payment for situations other than a change of control is limited to a maximum of one year’s base compensation. For each of them, severance payment in the case of a change of control is equal to the sum of the last annual base compensation and pension contribution, plus the average bonus received over the last three years, multiplied by a maximum of two.

**Other – 2013**

The contracts of the members of the Executive Board include a ‘claw-back’ clause which will apply in case of an erroneous variable remuneration payout.

In the event of a change of control of the company, the Supervisory Board may, at its discretion, allow all or part of the Executive Board member share allocations to vest on the date on which control of the company passes. In such a case, the Supervisory Board may cap the proceeds of these shares, guided by fairness and reasonableness, at a level equal to the sum of:
- the average of the closing prices of the TNT Express share according to Euronext Amsterdam for a period of five trading days prior to the date when the first announcement to make a public offer was made; and
- 50% of the difference between the ultimate share price paid by the acquirer and the price as calculated above.

The Supervisory Board has the discretionary authority to decide on one-off payments to members of the Executive Board in special circumstances. Such payments will always be motivated and disclosed.
The Supervisory Board also has the discretionary authority to adjust the value of variable pay components originally awarded, if the outcome proves to be unfair due to exceptional circumstances during the performance period.

TNT Express does not grant loans or guarantees, including mortgage loans, to members of the Executive Board. There are no loans outstanding.

**BENCHMARK TEST**

At the end of 2013, an external party performed an extensive benchmark test against the total remuneration package for executive board members at peer companies in the European and Dutch market. Peer companies in the European reference group were the same as those used for the previous benchmark test in 2011 (see the following table). The Dutch peer group comprised of all AEX-listed companies, excluding the two largest and two smallest companies as well as companies in the financial sector.

<table>
<thead>
<tr>
<th>European reference group¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Adecco SA</td>
</tr>
<tr>
<td>2. Atlantia SpA</td>
</tr>
<tr>
<td>3. Belgacom SA</td>
</tr>
<tr>
<td>4. Bunzl plc</td>
</tr>
<tr>
<td>5. Delhaize SA</td>
</tr>
<tr>
<td>6. DSV A/S</td>
</tr>
<tr>
<td>7. FirstGroup plc</td>
</tr>
<tr>
<td>8. G4S plc</td>
</tr>
<tr>
<td>9. International Airlines Group SA</td>
</tr>
<tr>
<td>10. Kering SA</td>
</tr>
<tr>
<td>11. Kuehne + Nagel Internationl AG</td>
</tr>
<tr>
<td>12. Marks and Spencer plc</td>
</tr>
<tr>
<td>13. National Express Group plc</td>
</tr>
<tr>
<td>14. Österreichische Post AG</td>
</tr>
<tr>
<td>15. Rentokil Initial plc</td>
</tr>
<tr>
<td>16. SAS AB</td>
</tr>
<tr>
<td>17. Securitas AB</td>
</tr>
<tr>
<td>18. Serco Group plc</td>
</tr>
<tr>
<td>19. Swisscom AG</td>
</tr>
<tr>
<td>20. TUI AG</td>
</tr>
</tbody>
</table>

¹Companies included in the peer group of the 2013 benchmark.

The results of the benchmark test highlighted that:
- the actual base compensation of the CEO and the CFO is below the targeted median market level in the European and Dutch labour executive markets; and
- the actual total direct compensation (the sum of base compensation + target bonus + target long-term incentive) of the CEO and the CFO is also below the targeted median level in both labour markets.

**PROPOSED REMUNERATION POLICY AS OF 2014**

The Supervisory Board has decided that the main principles of the current remuneration policy will remain unchanged. The policy continues to be based on performance and is aligned with the objectives of the major stakeholders. However, based on the revised strategy, with a desire to simplify the policy, and taking into account the outcome of the benchmark test, the Supervisory Board has decided to propose amendments to the short-term and long-term instruments of the variable component of the current remuneration policy. The proposed adjustments have been tested under various share price scenarios. The maximum payout under the proposed policy is similar to the payout under the current policy.

The proposed remuneration policy as of 2014 will be submitted for adoption by the Annual General Meeting of Shareholders on 9 April 2014.

Below is a description of the proposed remuneration policy.

**Base compensation**

The remuneration policy for members of the Executive Board permits the base compensation to be adjusted in line with the average increase in the collective labour agreements adopted by the larger TNT Express entities in Europe. Although the results of the benchmark test and the developments in the collective labour agreements could lead to an increase of the base compensation, the Supervisory Board decided that the annual base compensation for members of the Executive Board will remain unchanged.

**Variable income**

The Supervisory Board has reviewed the current variable incentive schemes in light of the company’s strategy for the upcoming years. For the variable income, the Supervisory Board proposes adjustments
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The Supervisory Board believes that the effectiveness of the variable incentive instruments will be improved by reducing the number of targets, thus focusing on the critical areas as defined in the revised strategy. All targets and objectives are quantitative.

The variable income policy comprises the following instruments:
- short-term incentive;
- voluntary bonus/matching plan linked to short-term incentive proceeds; and
- equity-based long-term incentive to ensure alignment with long-term value creation and the interest of shareholders (the ‘TNT Express performance share plan’).

The proposed 2014 short-term and long-term incentive plans for members of the Executive Board are aligned with the variable income programmes for senior management.

**Short-term incentive**

The annual short-term incentive opportunity amounts to 100% of the annual base compensation for an ‘on target’ performance. The reward of the short-term incentive will be delivered as follows: 50% in cash and 50% rights to shares (locked-in for three years).

The 2014 short-term incentive entirely focuses on financial targets comprising:
- 70% company results
- 30% cash flow

Results relating to the targets lead independently to a short-term incentive payout.

In order to qualify for the short-term incentive scheme, a member of the Executive Board is required to be in service on 31 December of the relevant year.

**Bonus/matching plan**

A member of the Executive Board may participate on a voluntary basis in the bonus/matching plan by investing a maximum of 50% of the gross payout of the short-term incentive of the previous year in TNT Express shares. However, the investment in TNT Express shares cannot be more than the net proceeds of the bonus. After a three-year holding period, these shares will be matched on a one-to-one basis.

The matching of bonus shares occurs under the condition of continued employment and if at least 50% of the bonus shares is retained during the holding period.

**Long-term incentive**

The Supervisory Board can award conditional rights to TNT Express shares to members of the Executive Board under the TNT Express performance share plan. From 2014, the award is based on a value of 50% of the annual base compensation. The actual number of rights to shares granted is determined by dividing the available amount (50% annual base compensation) by the fair value of the right to a share according to IFRS.
The performance shares vest after a three-year period. The actual number of shares that vest depends on the performance of the following performance measures:

- 50% financial target: the TSR performance of the company will be measured on a three-year basis against a peer group of AEX companies (50% weighting) and of TNT Express’ three main direct competitors (Deutsche Post DHL, FedEx and UPS) (50% weighting). During the three-year vesting period, the TSR data and risk profiles are compiled and reported as an index by an external data provider. After three years, the final performance of the company over the three-year period compared to the final performance of the peer group determines the number of shares to be vested (as presented in the following table).

<table>
<thead>
<tr>
<th>% difference</th>
<th>% of total allocation of performance shares that vest</th>
</tr>
</thead>
<tbody>
<tr>
<td>-20%</td>
<td>0.00%</td>
</tr>
<tr>
<td>-15%</td>
<td>6.25%</td>
</tr>
<tr>
<td>-10%</td>
<td>12.50%</td>
</tr>
<tr>
<td>-5%</td>
<td>18.75%</td>
</tr>
<tr>
<td>0%</td>
<td>25.00%</td>
</tr>
<tr>
<td>5%</td>
<td>31.25%</td>
</tr>
<tr>
<td>10%</td>
<td>37.50%</td>
</tr>
<tr>
<td>15%</td>
<td>43.75%</td>
</tr>
<tr>
<td>20%</td>
<td>50.00%</td>
</tr>
</tbody>
</table>

The performance schedule (sliding scale) is designed such that a TSR performance of the company at index level (0% difference) leads to a vesting of half of the maximum of granted rights to shares.

- 50% non-financial target(s): consisting of target(s) considered most relevant for the company during the three-year vesting period (for 2014: a customer satisfaction target).

The maximum number of shares that can vest under the plan amounts to 100% of the base allocation.

The Remuneration Committee advises the Supervisory Board on the actual number of 2014 performance shares that vest, which will be determined by the TSR performance over the period 2014 to 2017 and the performance on the non-financial targets over three calendar years preceding the vesting date.

In compliance with the Dutch Corporate Governance Code, members of the Executive Board may not sell their matching shares, performance shares or 2012 compensation shares prior to the earlier of five years from the date of grant or the end of employment. However, any sale of shares with the intent of using the proceeds to pay for the tax relating to the grant of these shares is exempted.

Pension
The company’s pension scheme for members of the Executive Board is a career average scheme and is applicable to Mr Bot. Due to recent adjustments in Dutch tax legislation, as of January 2014 the main features are:

- retirement age at 67 years;
- pensionable income based on average annual base salary only;
- annual accrual rate for the old-age pension of 2.15%;
- offset for state pension at fiscal minimum;
- benefits indexed during accrual (dependent on the financial situation of the fund); and
- employee contribution to the pension scheme of 3% of base salary (contribution can be adjusted).

The pension arrangement includes entitlement to a pension in the event of illness or disability and a spouse’s and/or dependant’s pension in the event of death. Mr Gunning is not eligible to participate in the company’s pension scheme for members of the Executive Board. A monthly compensation of 25% of his monthly base fee is made available for a retirement provision.

Severance
The contractual severance payments for members of the Executive Board are summarised as follows:

- The TNT Express remuneration policy provides that severance payment other than related to a change of control is equal to one year’s base compensation or a maximum of two years’ base compensation in the first four-year term if one year is considered unreasonable.
In the contracts of Mr Gunning and Mr Bot, the severance payment for situations other than a change of control is limited to a maximum of one year’s base compensation. For each of them, severance payment in the case of a change of control is equal to the sum of the last annual base compensation and pension contribution, plus the average bonus received over the last three years, multiplied by a maximum of two.

Other
The contracts of members of the Executive Board include a ‘claw-back’ clause which will apply in case of an erroneous variable remuneration payout.

In the event of a change of control of the company, the Supervisory Board may, at its discretion, allow all or part of the Executive Board member share allocations to vest on the date on which control of the company passes. In such a case, the Supervisory Board may cap the proceeds of these shares, guided by fairness and reasonableness, at a level equal to the sum of:

- the average of the closing prices of the TNT Express share according to Euronext Amsterdam for a period of five trading days prior to the date when the first announcement to make a public offer was made; and
- 50% of the difference between the ultimate share price paid by the acquirer and the price as calculated above.

The Supervisory Board has the discretionary authority to decide on one-off payments to members of the Executive Board in special circumstances. Such payments will always be motivated and disclosed.

The Supervisory Board also has the discretionary authority to adjust the value of variable pay components originally awarded, if the outcome proves to be unfair due to exceptional circumstances during the performance period.

TNT Express does not grant loans or guarantees, including mortgage loans, to members of the Executive Board. There are no loans outstanding.

Starting 1 January 2014, new Dutch legislation is applicable to the variable remuneration of executives. The Supervisory Board will observe the boundaries of such legislation.

REMUNERATION – SUPERVISORY BOARD

According to the TNT Express remuneration policy, the remuneration of members of the Supervisory Board comprises base pay and meeting fees. Members of the Supervisory Board do not receive meeting fees for regular Supervisory Board meetings. Meeting fees are paid for Supervisory Board meetings over and above the usual business calendar in order to compensate for the additional workload. The meeting fee for an additional meeting amounts to €2,500 for the chairman and €1,500 for the other members of the Supervisory Board.

The level of the remuneration of the Supervisory Board remained unchanged. The compensation of the members of the Supervisory Board will be benchmarked every three years. A benchmark test will be executed at the end of 2016, synchronous with the benchmark of the compensation of the members of the Executive Board. The 2013 remuneration for the Supervisory Board is set out in the following table:

<table>
<thead>
<tr>
<th>Remuneration - Supervisory Board</th>
<th>Base fee</th>
<th>Additional meeting fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supervisory Board membership</td>
<td>Chairman</td>
<td>60,000</td>
</tr>
<tr>
<td></td>
<td>Member</td>
<td>45,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2,500</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1,500</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Committees</th>
<th>Meeting fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit</td>
<td>Chairman</td>
</tr>
<tr>
<td>Remuneration</td>
<td>Member</td>
</tr>
<tr>
<td>Strategy</td>
<td>Chairman</td>
</tr>
<tr>
<td></td>
<td>Member</td>
</tr>
</tbody>
</table>

The fixed travel allowance for intercontinental travel by any member of the Supervisory Board domiciled outside Europe is €2,500 for every meeting attended. For members domiciled in Europe, outside the Netherlands, the travel allowance is €1,500 for every meeting attended.
Members of the Supervisory Board do not receive any compensation related to performance and/or equity and do not accrue any pension rights with TNT Express. Members of the Supervisory Board do not receive any severance payments in the event of termination or removal by the general meeting of shareholders. TNT Express does not grant loans, including mortgage loans or guarantees, to any member of the Supervisory Board. Refer to note 19 in chapter 5 for more information.
V. RISK MANAGEMENT

Doing business inherently involves taking risks. By managing these risks, TNT Express strives to secure a sustainable performance. Therefore, TNT Express operates a risk management framework that allows management to tolerate risks in a controlled manner, which is an essential element of its corporate governance and strategy development.

The Executive Board, supported by senior management and dedicated risk management employees, is responsible for identifying, prioritising and mitigating risks and for the establishment and maintenance of a robust risk management system.

RISK MANAGEMENT FRAMEWORK

TNT Express has embedded the Committee of Sponsoring Organisations of the Treadway Commission (COSO) Enterprise Risk Management (ERM) – Integrated Framework (2004) as the foundation of its risk management framework. Through the company’s risk management framework and control systems (as described in section III), the Executive Board aims to provide reasonable assurance that strategic and business objectives can be achieved. The Executive Board reviews the risk management framework and the company’s main risks on a regular basis. For those risks deemed to be material, comprehensive mitigating action plans are developed and reviewed on a quarterly basis to ensure that these are relevant and sufficient. At least annually, the Executive Board discusses its risk management framework and company risks with the Audit Committee and the Supervisory Board as well as with the external auditor.

Risk appetite

The Executive Board formalised the risk appetite of TNT Express using the COSO ERM risk categories and determined that the risk appetite varies between zero and moderate depending on the risk category:

<table>
<thead>
<tr>
<th>Risk category</th>
<th>Category description</th>
<th>Risk appetite</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic risk</td>
<td>Risk relating to prospective earnings and capital arising from strategic changes in the business environment and from adverse strategic business decisions.</td>
<td>Moderate</td>
</tr>
<tr>
<td>Operational risk</td>
<td>Risk relating to current operational and financial performance and capital arising from inadequate or failed internal processes, people and systems or external events.</td>
<td>Low - moderate</td>
</tr>
<tr>
<td>Financial risk</td>
<td>Risk relating to financial loss due to the financial structure, cash flows and financial instruments of the business (including capital structure, insurance and fiscal structure) which may impair its ability to provide an adequate return.</td>
<td>Low</td>
</tr>
<tr>
<td>Compliance risk</td>
<td>Risk of non-compliance with relevant laws and regulations (including health and safety), internal policies and procedures.</td>
<td>Zero - low tolerance</td>
</tr>
</tbody>
</table>

Throughout 2013, the company reviewed its risk profile on a regular basis. As input, the Executive Board used the outcome of 57 risk assessments, representing input from all functional areas, 141 entities and key strategic projects.

Risk factors

This section describes the main risks facing the execution of TNT Express’ strategy as outlined in section IV of chapter 1. Risks have been classified by the COSO ERM risk categories and divided into specific and inherent risks. Specific risks are risks that the Executive Board believes could negatively impact short–term to medium–term objectives. Inherent risks are risks that are constantly present in the business environment and are considered sufficiently material to require disclosure and management.
## Summary of main risks

<table>
<thead>
<tr>
<th>Summary of main risks</th>
<th>Specific risks</th>
<th>Inherent risks</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Strategic risks</strong></td>
<td>– Flawed execution of the strategy, restructuring or other change management programmes</td>
<td>– Deterioration of economic conditions</td>
</tr>
<tr>
<td></td>
<td>– Risks related to closure or disposal of certain businesses</td>
<td>– Changing customer preferences or shipping patterns</td>
</tr>
<tr>
<td></td>
<td>– Negative operational impact of a takeover bid</td>
<td>– Intensifying competition in the CEP market</td>
</tr>
<tr>
<td><strong>Operational risks</strong></td>
<td>– Inaccurate forecasting of infrastructure requirements</td>
<td>– Increase in security requirements</td>
</tr>
<tr>
<td></td>
<td>– Loss of or unavailability of suitable key suppliers or subcontractors</td>
<td>– Impact of natural disasters and health epidemics</td>
</tr>
<tr>
<td></td>
<td>– Failures in key infrastructures and networks</td>
<td>– Increase in fuel prices and energy costs</td>
</tr>
<tr>
<td></td>
<td>– Potential impact of accidents and incidents</td>
<td></td>
</tr>
<tr>
<td><strong>Financial risks</strong></td>
<td>– Proportionate but significant influence of major shareholders</td>
<td>– Volatility in the financial market</td>
</tr>
<tr>
<td></td>
<td>– Inadequate insurance coverage</td>
<td></td>
</tr>
<tr>
<td><strong>Compliance risks</strong></td>
<td>– Negative exposure from (changes in) regulatory, political and other environments, especially in emerging markets</td>
<td></td>
</tr>
<tr>
<td></td>
<td>– Non-compliance with company policies, and/or external laws and regulations</td>
<td></td>
</tr>
<tr>
<td></td>
<td>– Negative outcome of various claims and lawsuits</td>
<td></td>
</tr>
</tbody>
</table>

TNT Express assesses risks according to their impact, net of the related mitigating actions. The resulting impact could comprise a material direct or indirect adverse effect on TNT Express’ business, operations, volumes, financial condition and performance, reputation and/or other interests.

The risks listed are not exhaustive, and additional risks and uncertainties not presently known to TNT Express or that it currently deems immaterial, may also have or develop a material adverse effect on its business, operations, financial performance or condition, or other interests. Similarly, the mitigating actions mentioned are not exhaustive, may be ineffective and may be adjusted from time to time, and their inclusion in this section does not create any legal obligation for the company. The sequence in which these risks and mitigating actions are presented in no way reflects any order of importance, chance or materiality.
### Strategic risks

#### Flawed execution of strategy, restructuring or other change management programmes

**Risk description:** Reduced benefits due to design failures or inaccurate estimates of revenue benefits and/or cost savings. Negative staff or supplier reactions (including strikes and work stoppages), management distraction due to organisational and other changes, failure to retain and attract key employees due to decreased employee engagement, limited resources, capacity and capability, inadequate IT capacity and capability, deficiencies in the control environment.

**Mitigating action:** Involving senior management and qualified personnel in all major projects, performing risk assessments of major projects and following up with project audits, closely monitoring restructuring programmes by a dedicated programme office that tracks progress and plans resources which enables timely adjustments, proactively involving employee representative bodies at an early stage, developing employee engagement actions based on regular employee surveys, investing in professional learning and development programmes, offering a working environment that enables and promotes personal development and promotion, utilising structured succession planning and developing future leaders, proactively assessing risks and adjustments of the control environment by compliance functions.

#### Risks associated with closure or disposal of certain businesses

**Risk description:** Unexpected costs (including impairment of intangible or tangible assets, liabilities and cash outflows), loss of key relationships, loss of management and staff in affected businesses, inability to sell business held for sale.

**Mitigating action:** Carefully analysing, planning and executing closure or divestment proposals, monitoring execution by senior management, maintaining ongoing communication with key customers and suppliers, maintaining transparent and frequent communication with management and staff, paying continued attention to business performance during the disposal process.

#### Negative operational impact of a takeover bid for TNT Express or speculations about such a bid

**Risk description:** Loss of customers, supplier contracts, business opportunities and employees, management distraction.

**Mitigating action:** Establishing comprehensive corporate procedures to handle a bid situation, providing adequate and timely information to internal and external stakeholders.

#### Deterioration of the economy, either globally or in specific geographies

**Risk description:** High volatility and/or prolonged downturns in regions in which TNT Express operates, causing decline in demand for express volumes and/or significant changes in product mix, customers’ or suppliers’ solvency problems.

**Mitigating action:** Closely monitoring all market developments, implementing profit improvement programmes and other cost reducing initiatives, further expanding TNT Express’ flexible cost base, diversifying suppliers and subcontractors, actively monitoring customers’ and suppliers’ solvency, striving for a solid capital structure reflected in a long-term credit rating target of BBB+ (Stable) by S&P and Baa1 (Negative) by Moody’s.
### Strategic risks (continued)

<table>
<thead>
<tr>
<th>Risk description</th>
<th>Mitigating action</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Changing customer preferences or shipping patterns</strong></td>
<td>- Monitoring trends and shipping patterns</td>
</tr>
<tr>
<td>Identified risks:</td>
<td>- Maintaining close contact with customers</td>
</tr>
<tr>
<td>- Further shift in volumes, for example from express to economy express or from B2B to B2C services</td>
<td>- Flexibility to adjust network and local operations to meet new service requirements</td>
</tr>
<tr>
<td>- Loss of customers if service offering no longer matches their demands</td>
<td>- Operating a company-wide service delivery improvement programme</td>
</tr>
<tr>
<td>- Inadequate cover of changing trade lanes</td>
<td>- Enhancing the company’s economy express service offering</td>
</tr>
<tr>
<td></td>
<td>- Building a selective service offering for B2C</td>
</tr>
<tr>
<td></td>
<td>- Developing and maintaining access to third-party suppliers with complementary capabilities</td>
</tr>
<tr>
<td><strong>Intensifying competition in the CEP market may put downward pressure on volumes and prices</strong></td>
<td>- Monitoring markets and competitors</td>
</tr>
<tr>
<td>Identified risk:</td>
<td>- Focusing on unique and tailored services</td>
</tr>
<tr>
<td>- Targeted actions by global or low-cost competitors</td>
<td>- Implementing cost reductions to increase competitiveness</td>
</tr>
</tbody>
</table>

### Operational risks

<table>
<thead>
<tr>
<th>Risk description</th>
<th>Mitigating action</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Inaccurate forecasting of infrastructure requirements such as road and air hubs, aircraft, vehicles, depots and IT</strong></td>
<td>- Forecasting volumes for short, medium and long term</td>
</tr>
<tr>
<td>Identified risks:</td>
<td>- Developing alternative uses for capacity</td>
</tr>
<tr>
<td>- Costs of excess capacity</td>
<td>- Maintaining consistent, cross-functional budgeting and forecasting cycles</td>
</tr>
<tr>
<td>- Opportunity costs of capacity constraints (growth constraints, operational disruptions, inability to meet contractual commitments, contingencies)</td>
<td>- Sourcing from multiple suppliers locally and globally</td>
</tr>
<tr>
<td>- Inadequate airport slots, air traffic control slots, and operating flexibility</td>
<td>- Working with subcontractors and other third-party suppliers that have the ability to adjust their capacity in the short term</td>
</tr>
<tr>
<td></td>
<td>- Executing network planning as core competency, with designated managers on a global and regional level</td>
</tr>
<tr>
<td><strong>Loss of or the unavailability of key suppliers and subcontractors could impact TNT Express’ ability to deliver</strong></td>
<td>- Sourcing from multiple suppliers</td>
</tr>
<tr>
<td>Identified risks:</td>
<td>- Implementing contingency plans to enable seamless transfer to alternative suppliers</td>
</tr>
<tr>
<td>- Dependency on a key supplier or subcontractor who turns insolvent or bankrupt</td>
<td>- Screening and monitoring suppliers closely</td>
</tr>
<tr>
<td>- Asymmetric negotiations with a key supplier due to dependency</td>
<td>- Utilising longer-term contractual arrangements where appropriate</td>
</tr>
<tr>
<td><strong>TNT Express’ services are time-critical. Network and IT disruptions in key infrastructure facilities may lead to its inability to deliver according to customer expectations and contractual obligations</strong></td>
<td>- Actively monitoring and identifying potentially disruptive events</td>
</tr>
<tr>
<td>Identified risks:</td>
<td>- Investing in preventive measures</td>
</tr>
<tr>
<td>- Disruption or breakdown of concentrated (hub) infrastructure facilities, owned or third party</td>
<td>- Implementing business continuity plans</td>
</tr>
<tr>
<td>- Disruption in subcontractor operations</td>
<td>- Maintaining a global and local crisis response organisation including back-up facilities and networks</td>
</tr>
<tr>
<td>- Failure of IT infrastructure and applications</td>
<td></td>
</tr>
</tbody>
</table>
### Operational risks (continued)

<table>
<thead>
<tr>
<th>Risk description</th>
<th>Mitigating action</th>
</tr>
</thead>
</table>
| **Accidents and incidents resulting in fatalities, injuries or damages could negatively impact TNT Express** | - Road traffic accidents  
- Aircraft accidents  
- Incidents from the transport of (hazardous) materials  
- Loss of consignments  
- Investing in fleet, systems, procedures and training relating to health and safety  
- Complying with external and internal health and safety rules and policies  
- Reporting and analysing all accidents and incidents; ensuring continuous improvement  
- Executing a company-wide health and safety improvement programme and promoting a safety culture |
| **A terrorist attack or increased security requirements could negatively affect TNT Express** | - Staff or third-party injuries or fatalities due to terrorist attack  
- Costs or operating restrictions due to additional or changing rules and regulations for the transportation industry  
- Strictly adhering to security policies, processes, procedures and systems (including supporting training, monitoring and auditing)  
- Investing in security personnel and equipment  
- Maintaining a continuous dialogue with authorities and participating in industry associations on changes in security rules  
- Adding a security surcharge to mitigate cost impact |
| **TNT Express could be adversely impacted by natural disasters and health epidemics** | - Extreme weather events affecting airports, airspace and road networks  
- Operational consequences and contingency costs in case of an outbreak of a contagious disease, such as H1N1 or SARS  
- Actively monitoring and identifying potentially disruptive events  
- Maintaining a business continuity and crisis response organisation |
| **Increase in the price of fuel, energy or CO₂ emission rights may adversely affect TNT Express** | - Large dependency on air and road transportation can result in a potentially significant impact  
- Implementing company-wide fuel and energy efficiency measures  
- Ensuring application of fuel surcharges to mitigate cost impact |

### Financial risks

<table>
<thead>
<tr>
<th>Risk description</th>
<th>Mitigating action</th>
</tr>
</thead>
</table>
| **Major owners of TNT Express’ ordinary shares could exercise proportionate but significant influence, affecting the course of the company or the trading volume and share price** | - Concentration of voting power at the general meeting of shareholders  
- Regularly engaging with major shareholders  
- Ensuring visibility of TNT Express with target investors to promote a diversified investor base  
- Maintaining a corporate governance framework including Foundation call option (refer to page 51)  
- Ensuring compliance to the Relationship Agreement with PostNL (refer to TNT Express’ corporate website: www.tnt.com/corporate) |
## Financial risks (continued)

<table>
<thead>
<tr>
<th>Risk description</th>
<th>Mitigating action</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Inadequate insurance coverage</strong></td>
<td></td>
</tr>
</tbody>
</table>
| Identified risk: | – Utilising an in-house captive insurance company for additional coverage  
– Insuring ‘catastrophe exposures’ externally  
– Retaining several external insurers with a rating of A or higher |
|– Size and scope of insurance policy is inadequate to meet nature or size of damage claims | |
| **Volatility and unfavourable movements of the financial markets may have a negative impact on TNT Express’ ability to fund and cost of funding** | |
| Identified risks: | – Monitoring of capital investments in context of capital structure  
– Maintaining hedging arrangements to limit intragroup and external financial currency and interest exposures. Operational foreign currency cash flows are mostly not hedged  
– Maintaining headroom under committed longer-term revolving credit facilities  
– Striving for a solid capital structure reflected in a long-term credit rating target of BBB+ (Stable) by S&P and Baa1 (Negative) by Moody’s  
– Refer to note 29 in chapter 5 |
|– Break-up of or change of eurozone and its currency | |
|– Fluctuations in exchange rates and interest rates | |
|– Downgrade of TNT Express’ credit ratings | |

## Compliance risks

<table>
<thead>
<tr>
<th>Risk description</th>
<th>Mitigating action</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TNT Express’ global presence exposes it to a variety of regulatory, political and other environments which may affect its business and operations, especially in emerging markets where the legal systems are in varying stages of development</strong></td>
<td></td>
</tr>
</tbody>
</table>
| Identified risks: | – Monitoring and adapting to relevant (changes in) rules and regulations  
– Maintaining a dialogue with authorities and participating in industry associations  
– Implementing continuous improvements in operations, services and processes and investments in assets  
– Implementing a company-wide compliance system, including training and reporting procedures |
|– Changes in regulatory requirements, practices and procedures, in areas such as transportation, trade, anti-trust, labour, data protection, business licensing, foreign ownership, health and safety, taxes, limited liability for loss, export controls, customs and security | |
|– Unfavourable policies and regulations related to environment and climate change | |
|– Restrictions on the use of vehicles during parts of the day or week | |
|– Underdeveloped judiciary and legal infrastructure in specific emerging markets | |
| **Non-compliance with internal policies and/or external laws and regulations by employees, subcontractors or third-party suppliers could result in financial losses, loss of customers, sanctions or reputational damage** | |
| Identified risks: | – Maintaining company-wide business principles, control frameworks, compliance policies, guidelines and integrity programmes including representations and training, audits and complaints procedures  
– Communicating and implementing business principles and related guidelines towards subcontractors and third-party suppliers  
– Maintaining a global whistleblower procedure |
<p>|– Unwanted involvement in anti-competitive actions | |
|– Non-compliance with applicable social security or fiscal regulations | |
|– Classification of subcontractors or their employees as employees of TNT Express | |</p>
<table>
<thead>
<tr>
<th>Risk description</th>
<th>Mitigating action</th>
</tr>
</thead>
<tbody>
<tr>
<td>The nature of its business exposes TNT Express to the potential for claims and</td>
<td>Maintaining company-wide business principles, legal and other control frameworks,</td>
</tr>
<tr>
<td>litigations in a wide variety of areas</td>
<td>compliance policies, guidelines and integrity programmes including representations and</td>
</tr>
<tr>
<td>Identified risks:</td>
<td>training, audits and complaints procedures</td>
</tr>
<tr>
<td>– Claims from/litigations by partners or third parties in relation to partnerships</td>
<td>– Enforcing a critical and expert review of contracts and actively managing potential</td>
</tr>
<tr>
<td>or potential partnerships, acquisitions or divestments</td>
<td>exposures</td>
</tr>
<tr>
<td>– Customers claiming contractual obligations have not been met</td>
<td>– Reporting quarterly material contracts and claims and litigations</td>
</tr>
<tr>
<td>– Claims from public authorities and other third parties in relation to TNT</td>
<td>– Centrally involving senior management in claim and litigation resolution</td>
</tr>
<tr>
<td>Express’ local operations</td>
<td></td>
</tr>
<tr>
<td>– TNT Express may be held liable for PostNL obligations outstanding at the date</td>
<td></td>
</tr>
<tr>
<td>of the demerger of TNT N.V. in 2011</td>
<td></td>
</tr>
</tbody>
</table>