Annual Report **2015**

Realising **our potential**

Cautionary note with regard to "forward-looking statements"
Some statements in this annual report are "forward-looking statements". By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that may occur in the future. These forward-looking statements involve known and unknown risks, uncertainties and other factors that are beyond PostNL's control and impossible to predict and may cause actual results to differ materially from any future results expressed or implied. These forward-looking statements are based on current expectations, estimates, forecasts, analyses and projections about the industries in which PostNL operates and PostNL management's beliefs and assumptions about future events.

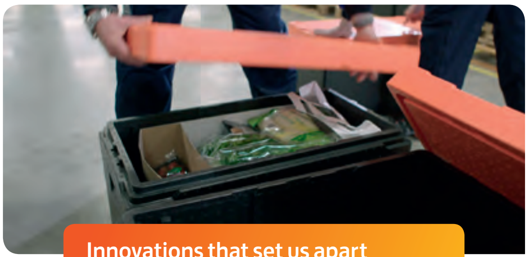
You are cautioned not to put undue reliance on these forward-looking statements, which only speak as of the date of this annual report and are neither predictions nor guarantees of future events or circumstances. PostNL does not undertake any obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date of this annual report or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.

This annual report can also be viewed on PostNL's corporate website: postnl.nl/annualreport2015. Any information on the website other than the contents of this annual report does not form part of PostNL's annual report.

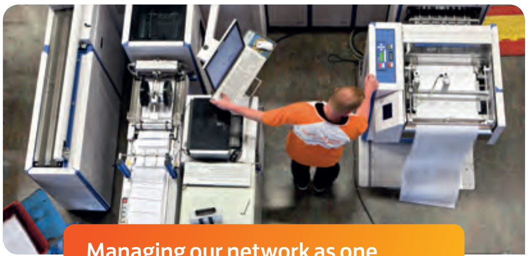
Table of Content

Case studies

Throughout this report you will find various testimonials and background stories illustrating how we implement our strategy and how this affects our employees and other stakeholders. The full versions of these stories can be read on our corporate website.



Innovations that set us apart
Food delivery: a service that gives us energy



Managing our network as one
The wealth of opportunities of IT

Case study
The Women Inclusion Network

How to read this report

Business Report
This section provides an overview of the internal and external factors that are shaping our business, the actions we implemented in 2015, and how we plan to continue realising value for our stakeholders and the business going forward.

Governance
This section provides an overview of the governance framework we had in place in 2015, an outline of the key topics the supervisory board dealt with during the year, and related information.

Performance Statements
This section includes the Financial Statements and CR Performance Statements.

1 We are PostNL

The essential link for our customers

We are PostNL. The essential link between senders and receivers of mail and parcels. Whether it is online or through our physical networks, we aim to facilitate a seamless connection. We provide our customers with a reliable, trustworthy service, and control over their deliveries, whether they are major e-tailers or consumers. And we are always close by: our deliverers reach every address, through rain, hail, sleet and snow.

Mail in the Netherlands

Parcels

International

We are a company of three business segments, over 49,000 employees, and more than ten networks across thirteen countries, connecting three continents. With our loyal workforce, extensive networks and innovative drive, our ambition is to be the leading postal and logistics solutions provider in our chosen markets.

PostNL is the leading mail and parcels solution provider in the Benelux

Holds number two position in Germany

Holds number two position in Italy

Network of Global Delivery Solutions

A broad array of services

Our extensive portfolio contains a wide range of services and products, for example: direct marketing, medication delivery, e-commerce, print services, door-to-door delivery, warehousing, cargo and same-day delivery.

We care about our employees

If it were not for our people, there would be no PostNL. Our people keep the company running, from the truck drivers in the early morning to the mail sorters late at night; from the call-center employees to our web designers; and of course our mail and parcel deliverers.

Employees

49,174

2015	49,174
2014	52,364

Employee engagement score

64%

2015	64%
2014	59%

We have created a work environment in which our employees feel at home, and are given the opportunity to grow and develop. We provide employees with training and new career opportunities. We invest in a sustainable future, both for our company, for society, and for the people who work for and with us.

In 2015 over 200 people found a job outside of PostNL using our internal job program Mobility

>200

Since the start in 2006, Mobility has helped over 8,000 people find a job outside of PostNL

>8,000

Case study
The Women Inclusion Network

“I do think most men are naturally better at making themselves seen, and women could use a little bit of help”

More on postnl.nl/win

Inclusive employer award

In 2015 we have been awarded the AWVN-trophy Inclusive Employer. We got the award because we offer jobs to people with a distance to the labour market. In fifteen of our Parcels’ sorting and delivery centres the morning process is handled completely by these employees.

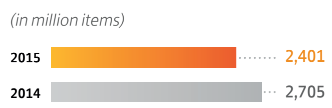
The number-one network

We have operated at the heart of the Dutch community for more than 200 years. Our networks have kept pace with the changing needs of society. Today, we are able to manage our networks as one using our robust IT resources. This enables us finding the most efficient route for every mail item or parcel, and that we can deliver wherever, whenever and however the customer wants.

Our network in the Netherlands

- 18 Parcel sorting and delivery centres
- 6 Mail sorting locations

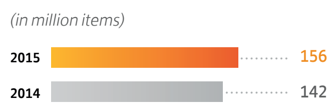
Mail in the Netherlands



Addressed mail volume

-11.2%

Parcels



Volume

+9.6%

We continue to invest in our networks, for both mail and parcels, nationally and internationally. We are rolling out our next-generation sorting machine extra (SMX), which makes our mail network more flexible and efficient, and improves the quality of our service. For Parcels, we opened our eighteenth sorting and delivery centre in 2015, providing us with a scalability that enables us to satisfy growing demand in the future, and introduce innovative, value-added parcel services. We also initiated the roll-out of a 2C parcel network in Italy.

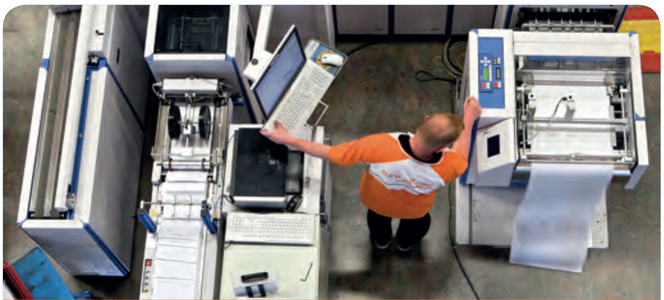
Nexive mail network

covering ~80% of all Italian households

~80%

Related story

Why we rely on state-of-the-art IT



Managing our networks as one
The wealth of opportunities of IT

More on postnl.nl/it

Focus on our customers

Our customers are an important driver in everything we do: from introducing innovative services, building a new digital platform, or creating one customer experience throughout the company. We embrace the opportunities provided by market trends, such as accelerating e-commerce and technological developments. And we use them to support business customers in their development and growth, and make consumers' lives as easy as possible.

Customer satisfaction

86%

2015 86

2014 85

Reputation

67.7%

2015 67.7

2014 64.5

For example, we offer flexible return solutions for international e-tailers, and direct marketing solutions for small and medium enterprises. And this customer focus pays off. In 2015, customer satisfaction increased, and PostNL became an even stronger brand, which is also reflected in our reputation scores.

1 PostNL app
over 3.5 million downloads

For our customers PostNL is one company. To offer them a true OnePostNL experience we continuously develop our PostNL app. This has been growing in popularity and acts as one of the carriers for all our services. We are also setting up one customer base, which will provide us with a 360-degree customer view. And we are implementing a business portal for our customers, providing them with an overview of all the postal, parcel and logistic services they have running with PostNL.

Related story

Why investing in food is a really good idea

Innovations that set us apart
Food delivery: a service that gives us energy

More on postnl.nl/food-delivery

A sustainable company

We have delivered on our promises, transforming PostNL into an efficient, flexible, customer oriented and financially healthy company over the past few years. To remain a strong and healthy company, we are continuously adapting our organisation to the expected volume decline in mail, and volume growth in the domestic and international parcels market.

Revenue
(in € millions)

3,461

2015	3,461
2014	3,465

Underlying cash operating income
(in € millions)

303
(margin: **8.8%**)

2015	303
2014	287

Net cash from operating & investing activities
(in € millions)

135

2015	135
2014	141

Additionally, we have identified three substantial growth domains that are close to our competences, with the potential to further strengthen our results up to and beyond 2020. In combination with our robust financial performance in 2015, this gives us the confidence that we are well prepared to realise our full potential.

Delivering growth

We have identified three substantial growth domains

Connected community
"How we can exploit our proximity and trusted brand in an ageing society and support communities and cities in remaining attractive to their citizens"

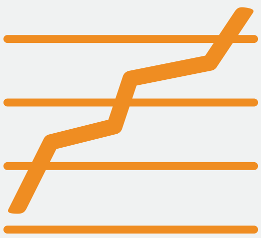
Network logistics
"How we can exploit and expand our network logistics capabilities and services to support increasingly complex supply chains"

Convenient shopping
"How we can combine the ever increasing e-commerce trend with our capabilities"

Outlook 2016

Underlying cash operating income
(in € millions)

220-260



Ambition 2020

Underlying cash operating income
(in € millions)

265-335

2 Message from the CEO

Realising our potential

2015 was a strong year for PostNL, financially and operationally. We realised an underlying cash operating income of €303 million, slightly above the mid-range of our guidance, kept revenues flat, reduced our net debt to €552 million and saw our consolidated equity improve further to -€223 million. At the same time our delivery quality remained high at 96.4%, our customer satisfaction and reputation scores improved to 86% and 67.7% respectively, and our employee engagement score increased to 64%. Also, we reached agreement on a five-year social plan.

We have made significant progress in transforming PostNL into an efficient, flexible, customer oriented and financially healthy company over the past few years. By building on our core competences, we are prepared for the continuously changing markets in which we operate. This forms a solid basis for realising our 2020 ambition to be *the* postal & logistic solution provider in chosen markets. This overall ambition is being supported by the focus within our three segments: Mail in the Netherlands, Parcels and International. Furthermore, we see upward potential for our results beyond 2020 in three substantial growth domains, which are close to our core competences. By combining these ambitions with the strengthening of our financial health, we confirm our commitment to restoring dividend as soon as possible and creating long-term shareholder value.

Performance in 2015

In **Mail in the Netherlands**, we continued to realise a solid result, despite decreasing revenues. Our addressed mail volumes declined by 11.2% (2014: -10.7%), while the total addressed mail market fell by around 9%. By realising €85 million in cost savings and implementing price increases, we have again been able to mitigate the impact of the ongoing volume decline.

In 2015, regulatory developments required significant management attention. The ACM, the Dutch postal market regulator, approved our cost allocation method and the increase of our base stamp and December stamp prices. At the same time, we are being confronted with regulatory measures limiting our competitive position, resulting in an estimated annualised financial impact that could add up to €30 million - €50 million over a period of three to four years. The first effects will be visible in 2016. Parliament approved the new Postal Act and Postal Decree, which allows for reductions in the number of postboxes and postal offices.

Despite these developments in the mail market, we remain committed to safeguarding a reliable and accessible mail network nationally. Quality and customer satisfaction remain our key differentiators, and to this end Mail in the Netherlands focuses on solutions to enhance its portfolio and meet customer demand.

Parcels delivered good revenue growth and solid results, supported by the ongoing growth in e-commerce. On our peak day in December we delivered an all-time high of 1.4 million parcels. The growth of our international volumes contributed to these good results. Additionally, our innovative and market-driven solutions enable Parcels to further secure its solid market position and create value for customers at sustainable margins. In 2015, our eighteenth sorting and delivery centre became operational, as a result of which 100% of our volumes are now handled through our technology-driven, best-in-class networks. These networks facilitate customer intimacy and allow us to stay ahead of the market. We also introduced our Sustainable Delivery Model, which offers our independent parcel deliverers the option to become employed by PostNL or remain independent with higher rates. The implementation of the Sustainable Delivery Model impacted our results in 2015. At the same time, we launched a programme to further improve the relationship with all our independent parcel deliverers.

We work hard to reduce our environmental impact. We limit the emissions of our vehicles and buildings in a number of ways, including switching to alternative fuels, LED lighting and electric transportation. This resulted in a significantly improved CO_2 efficiency index in 2015. In 2016 we will start installing solar cells on the roofs of our parcel sorting and delivery centres.

Performance in **International** was strong and was supported by the good growth of Spring and the positive results from the restructuring programme for our German activities. In 2015, we sold our Whistl activities in the United Kingdom to Whistl management, while retaining a 17.5% stake. We also continued to invest in our Italian operations. Nexive has growth potential in the Italian mail market through its own last-mile delivery network. To further strengthen this potential, we launched our own parcels network in Italy. For Spring, we also see significant potential to capture the possibilities that the globalisation of e-commerce offers.

A responsible company

PostNL has a prominent position in society. We deliver to every doorstep in the Netherlands, connecting our customers and making their lives easier. We are one of the country's largest private employers. Our role in society brings with it a special responsibility, one we are proud to fulfill.

We like to have a positive influence on the communities in which we operate. Obviously, we contribute by providing our employees with jobs. Our activities also supply our business partners and suppliers with work and our customers with high-quality services. And as part of our social responsibility, we support people who are in danger of losing connection with society. Where we can, we use our people and capabilities to strengthen the community's fabric.

We know our success is the direct result of the energy and commitment of our employees. As a people company, we help our employees realise their potential. We constantly strive to improve our employees' engagement by optimising our company's culture. Our focus is on creating a company where everyone works together to bring about a successful future. This is one of the ways we respond to our customers' and shareholders' needs.

We operate in a diverse society, and we are convinced that diversity among our people and management is crucial. Having people on board from a range of backgrounds gives us a wider perspective, and makes us stronger. So we do what we can to promote diversity. We hire people irrespective of their race, cultural background, gender, age or sexual orientation.

One of our responsibilities is to ensure our people's employability. Strengthening their position in the labour market and increasing their customer focus makes it easier to help those impacted by reorganisations find a new job. In general, our employees are seen as desirable job candidates: fit, reliable, well trained and capable of working independently. Additionally, we counsel them, offer extra training, and even provide them with funding if they want to start their own business.

Our social responsibility is reflected in our efforts to offer suitable jobs to people with a work disability. By engaging them to help work in our parcel sorting centres, they gain valuable work experience.

Work, a job, has a profound meaning for a person. To a large extent it defines who they are. It is a source of self-esteem and gives a person's life meaning. At PostNL we are aware of this. It shapes and guides our social policies and behaviour.

Realising our potential

Our 2020 ambition is to be *the* postal & logistic solution provider in chosen markets. This overall ambition is being supported by the focus within our segments. In Mail in the Netherlands we remain focused on delivering a sustainable cash flow and we will balance the expected volume decline with an increased cost savings ambition and price increases well above inflation. In Parcels our focus is on creating further profitable growth by strengthening our position as a leading e-commerce logistics company in the Benelux. In International our focus is on further building Nexive's position in the Italian market and on capturing opportunities of accelerating global e-commerce growth, which will result in enhanced cash profitability. Based on this, we have the ambition to deliver underlying cash operating income of between €265 million and €335 million in 2020, excluding the results of our German activities.

Additionally, we see upward potential for our results beyond 2020 in the three substantial growth domains that we identified close to our core competences: 'Connected community', 'Convenient shopping' and 'Network logistics'.

I would like to express my appreciation for all our customers, employees, partners, shareholders and other stakeholders for their contribution and trust in us over the past year. I hope we can count on your continued support in the years ahead.

Finally, I would like to address a special word of thanks to Piet Klaver, the chairman of our Supervisory Board, who will step down after the 2016 General Meeting of Shareholders. I would like to thank him for his input, wisdom and guidance during his years with PostNL, and I wish him all the best for the future.

Kind regards,

Herna Verhagen

CEO

Business Report

3 Our value creation process

Value creation takes on many forms. For us, it involves focusing on the interests of our customers, our investors, our people, society, and other stakeholders. This means balancing the needs of them all. From providing our customers with innovative services and solutions, to solid cash management enabling us to restore dividend, and providing a secure working environment. Taken together, this creates long-term value for all our stakeholders. In this chapter we explain our value creation process.

Formulating our ambition

In determining our ambition for 2020, PostNL 2020, we analysed the changing world around us and how this impacts our business. We identified three key market trends, which are shaping the day-to-day lives of our customers and PostNL. We also considered the developments within the markets in which we operate, and looked at how our business is influenced by competition and regulatory landscapes. Finally, we looked at what we are good at: our core competences. These are our people, networks, customers, knowledge and trust.

Using these unique elements as a basis, we determined our ambition for PostNL 2020: to be *the* postal & logistic solution provider in chosen markets. PostNL 2020 is translated into strategic ambitions overall and for each business segment, with clear steps showing how we will achieve these ambitions.

Value creation process

Creating value for all of our stakeholders involves implementing our strategy while focusing on our drivers. These are: building on our core competences to excel in what we do, ensuring that our customers will continue to receive first-class services and solutions; remaining committed to our stakeholders, which involves balancing the needs of our customers, investors, people, environment and society; and tapping into opportunities the market trends offer which, together with our solid cash management, will enable us to strenghten our financial position.

Output and outcomes

This results in the creation of long-term value for our stakeholders:

- Customers: We continue to broaden the services that we offer our customers, locally and internationally, to surpass their expectations. We deliver value by anticipating our customers' needs, thereby making their lives easier.
- Investors: We create long-term value for our investors through our financial strategy, which is targeted at strengthening our financial position, reducing debt, restoring dividend, and investing in growth.
- People: We provide a safe working environment, where people are respected and valued, and feel confident to be themselves. This environment enables our people to develop their skills and talent, creating sustainable employability. In addition, we maintain a constructive dialogue with all relevant works councils about the working environment and sustainable employability.
- Environment: We deliver value by improving, wherever possible, the environmental efficiency of our delivery networks, thereby minimising our impact on the environment.
- Society: We create value for society by ensuring our services remain accessible and reliable, while maintaining healthy relationships with regulators and government bodies. At the same time, we adapt to society's changing demands by developing innovative solutions for senders and receivers.

In chapter four we explain the elements that determine PostNL 2020 - market trends, markets in which we operate, and core competences - in greater detail. An in-depth explanation of our strategy and each market segment is discussed in chapter five. How we created value in 2015 by implementing our strategy is discussed in chapter six. We close this business report with our financial and corporate responsibility performance over 2015, and outlook for 2016.


Key market trends
Accelerating e-commerce
Technological developments
Sustainable society
Competition and regulatory environment
Competition
Regulatory developments
Core competences
People
Networks
Customers
Knowledge
Trust
PostNL 2020
Be *the* postal & logistic solution provider in chosen markets
Outputs and outcomes
Customers
Investors
People
Environment
Society

4 Developing our strategy

In 2015 we introduced an updated strategy called PostNL 2020. In this chapter we explain the internal and external elements that shaped this strategy.

Market trends

In determining PostNL 2020 we looked first at how the world around us is changing and the way it is impacting our business. From this we identified three key market trends, which are shaping the day-to-day lives of our customers and PostNL. These trends are: accelerating e-commerce, technological developments, and sustainable society. In the following table we explain the three market trends in more detail. We then discuss the effect of each market trend on our entire business, and where relevant on each business segment.

The effect of e-commerce on our business

The growth in e-commerce is having a positive impact across all our business segments. For a number of years customers have increasingly been ordering online in their home markets. As ordering confidence increases, customers are more frequently ordering from international e-tailers. This growth in domestic and international e-commerce creates opportunities for our cross-border services, domestic parcels and logistics, and our mail operations.

Mail in the Netherlands

The increase in goods being purchased online is leading to greater demand from retailers to send packages, including those that fit through the mail box. Consumers are also demanding value added services, such as the option to track goods while they are in transit. And as the number of webshops increases, e-commerce parties also request more value added services. One example is direct marketing services, as e-tailers bid for customer attention. These include online and offline direct marketing services, with offline remaining a very important part of the marketing mix due to its high attention value.

Parcels

Accelerating e-commerce in our Benelux home market and abroad is driving growth in the parcels and logistics industry. In the 2C parcels market, we expect market revenue growth of between 6 percent and 8 percent on average per year until 2020.

In the 2B parcels and the logistics markets, we expect growth to be strongly linked to GDP. However, in specific sectors, such as food, home & garden, health & personal care, electronics, and fashion, growth is strong and opens up a range of opportunities. Consumers are demanding greater ease of use, greater control, and seamless return solutions. Another area driving the growth of e-commerce is omni-channel. Consequently, supply chains are shifting and becoming more complex. Producers are not just delivering to wholesalers and retailers, but also directly to the end consumer. Smart stock management has become a necessity, with wholesalers and retailers demanding state-of-the-art warehousing, spot-on fulfilment and a broad range of pickup and delivery solutions.

International

We expect the cross-border e-commerce market to grow on average by 20 percent per year between now and 2020. Customers, already used to rapidly developing service levels domestically, expect similar flexibility on cross-border purchases. Examples include Track & Trace, and greater control over delivery times and locations.

In Italy, the e-commerce market is less mature than the Benelux market, mainly because of lower internet penetration rates. As it develops, we expect good growth opportunities in the coming years.

The effect of technology on our business

Technology is impacting the way businesses operate. Robotisation is leading to changes along the value chain, from fulfillment to delivery. The Internet of Things is opening up a range of possibilities with an expected 50 billion devices connected to the internet by 2020. At the same time, technology is enabling data to be transferred into knowledge. These trends are impacting our business.

For example, the growth in e-commerce is being driven by the increasing demand of the consumer to order their goods anytime, anywhere, anyplace, and their expectation of better service at lower prices. While this began with domestic purchases, as consumers become more familiar with online shopping, there is a shift towards international e-commerce. Whether consumers receive parcels or small packages sent through the mail network, they have ever-greater expectations. For example, they expect international service levels to equal domestic service levels by providing real-time alerts about the status of their deliveries, by SMS or push notification. They also expect to be able to have full insight into the status of their mail or parcels, using our Track & Trace services.

Mail in the Netherlands

Within the communication market, the growth of digital alternatives remains stronger than physical mail. This directly impacts physical mail volumes, resulting in a decline in the transaction mail and periodicals' markets. Within the unaddressed mail market, there is an increasing move towards digital alternatives, with customers more frequently choosing for online marketing solutions.

To keep pace with volume decline, we are utilising technology to create more effective networks. For example, next-generation sorting machines increase the automation of sorting processes, making them faster and more accurate, while sorting machines with coding capabilities will enable semi-automation of preparation activities, as well as the potential to track individual mail items. Technology is helping our mail deliverers carry out their work more efficiently, and provides them with greater control. For example, the PostNL My Work app enables them to check their schedules on their smartphones, send messages directly to their team lead, and fill in the hours worked directly after they have finished their routes, cutting down on administration. Additionally, new procedures can be introduced with easy-to-follow, step-by-step instructions, minimising training requirements. Another advantage is the system is easy to upgrade, meaning we could roll out new customer-focused services, resulting in revenue generating opportunities.

Parcels

We continuously focus on our customers' needs. Many of them are e-tailers, who are struggling with increasingly complex logistics issues such as omni-channel retailing. At the same time, their customers expect greater levels of quality, more service flexibility, lower costs, and adaptable returns solutions. We serve these customers by continuously introducing new technologies across our networks, enabling us to further improve our advanced sorting systems. In addition to adapting to new technologies, we use data analytics to further improve our internal processes and to help markets and customers grow and develop. For example, we introduced a pilot scheme called MyTime. This enables customers to select a specific two-hour delivery time slot.

International

Technology is impacting all our international mail markets, from cross-border, to Italy, and Germany. For example, in Italy the government introduced compulsory electronic invoicing for public bodies. On the one hand this creates opportunities in the customer communication market, while for the physical mail market it can be viewed as a threat. While in Germany, the government is currently working on an electronic mail solution, called 'De-Mail'. This solution enables members of the public, agencies, and businesses to exchange legal documents online.

The latest technological developments are also enabling new services and solutions to be developed within the cross-border e-commerce parcels market. For us, this trend involves providing our customers with seamless return solutions, where customers are able to return goods to retailers, manufacturers and fulfilment centres easily and reliably. For example, we provide international e-tailers with an IT platform that gives them full control over their shipments. This enables them to provide their customers with customised notification via e-mail or on their website.

The effect of sustainable society on our business

We see an increased focus on sustainability amongst our customers across all business segments, which we translate into more sustainable delivery solutions. We are also increasingly focusing on our place within society, and the contribution we make to the community.

Mail in the Netherlands

Like many Western countries, in the Netherlands there is a demographic shift towards greater urbanisation, more people living alone, and an ageing population. With our mail deliverers having a regular presence in every neighbourhood across the country, we believe that PostNL is in the position to play a meaningful role. For us, sustainable delivery means maintaining the highest quality standard while minimising the impact of our deliveries on the environment. This means making our buildings greener and introducing energy efficient technologies, whenever possible. It also means choosing the most sustainable delivery option available. For example, we are looking into running more of our vans and cars on biogas and increasing deliveries by e-scooter.

Parcels

We are witnessing an increase in the importance of environmentally friendly delivery solutions in city centres. This is driven both by the growth in urbanisation, and the introduction by local authorities of regulations that set ever-stricter emission standards for vehicles entering cities. We are responding to these trends and demands by introducing greener vehicles, through our highly efficient sorting and delivery centres, and by focusing on our sustainable delivery models. At the same time the rise in the collaborative economy is driving a range of new business solutions, including the need for more local-to-local purchasing and delivery options. This is a developing market, where we see a notable influx of new players.

International

One of the things we focus on within International is reducing our carbon emissions, which involves switching to cleaner forms of mail and parcels transport, or migrating towards using sustainable electricity. One example can be found in our *Case study: 100% sustainable energy in Italy*, where Roberta Culella, CR & Sustainability manager, explains how Nexive was able to reduce its CO_2 emissions by 40 to 60 percent.

The percentages related to the (development of) market shares are PostNL estimates and are not validated by PwC.

Competition and regulatory developments

The second element we looked into when developing PostNL 2020 was the impact competition and regulatory landscapes may have on our business. Each market in which we operate is impacted uniquely, and we discuss these developments and how they could affect our business segments.

Competition and regulatory developments

Competition	Regulatory developments
Competition - which can be defined as other players operating in our markets and substitution - is a constant factor in our business	We operate in markets regulated by national and international authorities, each of which stipulate different rules and standards.

The markets in which we operate

We provide postal and logistic services in chosen markets. Within the Benelux we are the leading mail and parcels company, and in Italy and Germany we hold the number-two market position through our Nexive and Postcon businesses. Spring Global Delivery Solutions provides our customers with cross-border mail, parcels and packets solutions. Below, we explain how each of these markets is impacted uniquely by competion and regulations.

The development of competition in our markets

Mail in the Netherlands

Competition in Mail in the Netherlands is impacted by postal operators which (mainly) use their own networks and postal operators which are (mainly) consolidators, and digitisation. Digitisation leads to declining market volumes because of a range of digital alternatives for mail, such as electronic invoicing or digital marketing services. The shrinking market leads to an intensified competition between postal operators.

In terms of network competition, there is one alternative nationwide network and various regional networks, which partly use the PostNL network and other available networks. These regional players are targeting niche markets with specific propositions on either price, quality or added value, intensifying competition.

Competition is further intensifying because of consolidation. Consolidators are bundling batches of mail items from different customers, and delivering them as one batch to PostNL. By doing this, the consolidators can apply for higher batch discounts which they partly pass on to their customers, thus having a competitive advantage.

Parcels

Competition in the Benelux region, which is already strong, is intensifying from both established logistics players and new (last mile) entrants, attracted by growth in the e-commerce market. They are investing in their networks to meet the quality levels demanded by the consumer. Despite this, we remain a leading e-commerce player in the Benelux.

In logistic solutions, there is increasing demand for service companies to offer warehousing, fulfillment, distribution and collection along the supply chain. Competition is intensifying, as existing market participants choose to focus on integrated delivery services. Our position within the logistics market differs, from being market leader through our Extra@Home proposition to market challenger in fulfillment services.

International

The cross border mail market is highly competitive. In the markets in which Spring Global Delivery Solutions operates, the incumbent postal operators remain the main competitor, with some competition from consolidators. The cross border parcels market is also very competitive, with incumbent players challenged by new entrants, all searching for opportunities in a growing market.

In Italy, competition from Poste Italiane increased in the lead up to its listing, which took place in October. Despite these developments, Nexive increased its share of the mail market in Italy by growing value added products, such as registered letters. While the parcels market in Italy remains competitive, we see opportunities to differentiate our offering, particularly in terms of services dedicated to e-commerce. In 2015 our volumes grew significantly.

In Germany, we are the main competitor to Deutsche Post. Our focus is on leveraging our price-leadership and continuing to deliver on our quality promise. Postcon maintained its volume share and remains the number two player in the market. The move by Deutsche Post to increase its 2016 tariffs on single mail items by 7.5 percent on average, and up to 13 percent for certain products, provides us with headroom for possible price increases.

The impact of the regulatory environment on our markets

Mail in the Netherlands

Developments in the domestic mail market are influencing legislative changes concerning the Universal Service Obligation (USO) and the non-USO. There were two important regulatory developments in 2015 concerning the USO:

- The adjusted Postal Act, effective 1 January 2016, enables us to adapt our network of post boxes and post offices to reflect postal volume developments and customer needs
- The ACM took the decision to set the tariff headroom for the USO in 2016. We increased our 2016 tariffs in line with this headroom.

Concerning the non-USO, there were also two important regulatory developments:

- The ACM took several decisions concerning article 9 of the Postal Act on non-discriminatory access to the PostNL network and transparency of tariffs and conditions, which they may further develop in 2016.
- Since 2014, the ACM has been authorised to impose specific obligations on postal operators with significant market power. In December 2014, the ACM published a draft decision in which they concluded that PostNL does have significant market power with regard to unsorted time-critical bulk mail and accordingly proposes obligations concerning the tariffs and condition of access to the PostNL network and its transparency. In 2015, the ACM published an addition to this draft, in which they redefined the method of calculating these access tariffs.

The estimated annualised financial impact of these ACM measures could add-up to €30 million - €50 million over a period of three to four years. The first effects will be visible in 2016. Although our customers, both end-consumers and businesses, expect and demand a reliable and accessible postal service at a fair price, these measures could undermine our future capability to fulfill our customers' expectations and meet their demands.

Parcels

In the Netherlands there is an ongoing debate about self-employment within the broader working environment. In 2015 we initiated a dialogue with our independent parcel deliverers about the best way they can provide services to the company, either as employees or on a self-employed basis. The dialogue will continue into 2016.

Within the Benelux we operate in a number of regulated markets, including food, health & personal care, and international parcels. In October 2015 the ACM published a consultation paper on the competitive position of the parcels market. Once relevant parties, including market participants, have reacted the ACM will produce a report on competition within the parcels market.

A detailed description of the regulatory environment across all our markets can be found in Appendix 1: Regulatory environment.

International

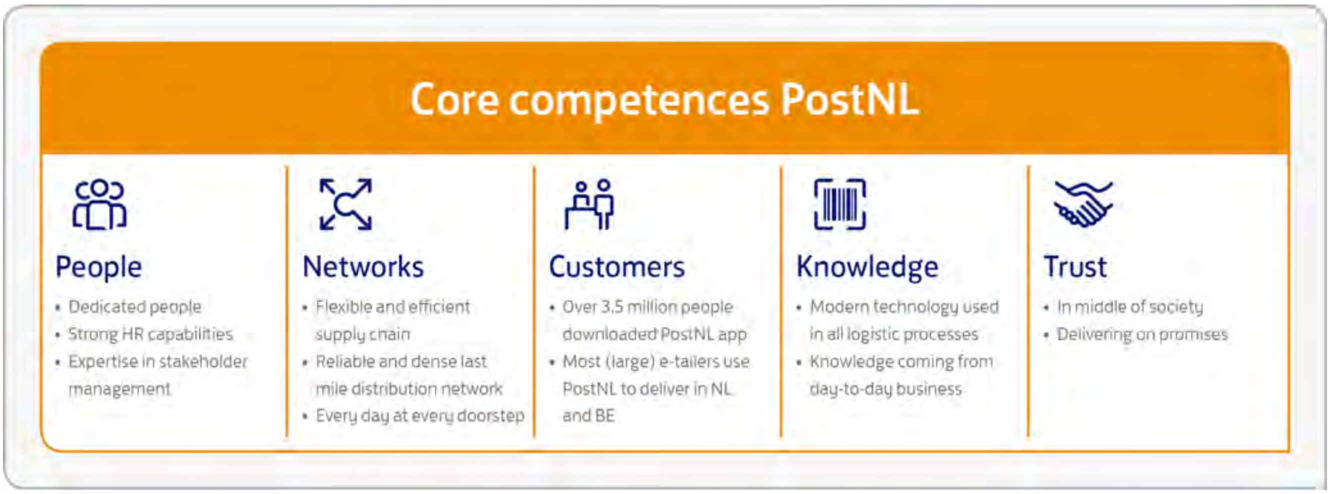
The European Commission has announced that it will propose measures in 2016 that lead to greater price transparency and enhanced regulatory oversight for cross-border parcel delivery.

In Italy, new guidelines on public tenders aimed at fostering market competition, and the abolition of the existing reserved area on judicial acts and fines currently being voted on in the Italian parliament, may create opportunities. In addition, under the terms of the Universal Service Offering, Poste Italiane may be reimbursed for the net cost of providing a universal service through public funds and a compensation fund, contributed to by postal operators that compete within the scope of the universal service. To date, Poste Italiane has been compensated for such costs from public funds only. The Italian regulator, AGCOM, is currently evaluating the activation of a compensation fund. As a result of EU regulation, we do not expect to contribute substantially to this compensation fund.

In Germany, Deutsche Post is appealing Germany's Federal Cartel Office (FCO) initial conclusion that the company violated German antitrust law as well as European antitrust law as part of its pricing strategy for national key account customers, especially in the telecoms industry. Further outcomes are expected in April 2016. Additionally, the Federal Network Agency (FNA) continues to investigate the downstream access pricing structure Deutsche Post offers two of its subsidiaries. The market was impacted by the introduction of a minimum wage, which led to higher costs.

Our core competences

Our core competences are the cornerstone of our business. They are what make us who we are today, and will enable us to achieve PostNL 2020. These competences operate in synergy, enabling us to provide our customers with best-in-class quality and service by managing our networks as one.



People

PostNL is and will always remain a people company. Our people are our ambassadors, and are and always will be our core asset. The moment of delivery – the level of service, the friendliness at the door – defines how customers experience our business. Our people have proven time and again that they have the spirit to do whatever it takes. Facilitated by our strong HR capabilities and expertise in stakeholder management, it is in our culture to go the extra mile to fulfil our promises.

Networks

Our customers want smooth postal and logistic solutions, and with our reliable and dense networks we can fulfil their needs and provide excellent customer experiences. Every day, on every doorstep. We are able to provide these high service levels by managing multiple networks as one, creating a flexible and efficient supply chain. From full-coverage mail networks to dedicated value-goods' networks.

Customers

We continually create innovative, market-driven solutions that add customer value, while focusing on customer satisfaction and quality. One example is the single portal we launched in the Netherlands, which is accessible through postnl.nl and the PostNL app. This app has already been downloaded 3.5 million times. The portal provides small and medium-sized enterprises (SMEs) and consumers with access to all our services, making it far simpler to do business with us online and through mobile devices. It consolidates a number of separate portals, such as the former mijnpakket.nl and onlineverzendservice.nl. In addition, we are improving our parcel deliver options, which is one of the reasons why so many large e-tailers in the Benelux choose to work with us. For example, we introduced a service that gives customers the possibility to choose where they want their parcels delivered, even after they have ordered.

Knowledge

Data is one of our key assets, and we transform it into knowledge. This knowledge enables us to make better logistical decisions, for example by helping us choose the best delivery route or informing customers about the status of their orders. Ultimately, this knowledge leads to higher delivery quality and greater customer satisfaction.

Trust

We have long served society in the Netherlands as the universal postal service provider. This, together with our strong and trusted brand, places us squarely in the middle of society. Our customers and society trust us because they know we deliver on our promises, which is one of the reasons why our reputation in the Netherlands has improved steadily over the last few years.

5 Our strategy

Our ambition is to be *the* postal and logistic solutions provider in chosen markets.

Our overall company ambition is contained in our strategy PostNL 2020. This ambition is translated into clear steps for the Group and each of our business segments. We want our customers to experience PostNL as one company. We achieve this by creating networks that can exchange goods seamlessly, while standardising and simplifying our HR and finance processes. Additionally, our OnePostNL culture fosters an environment that promotes even greater collaboration within the company. Taken together, this adds up to a financially healthy company through which we create long-term value for all of our stakeholders.

Of course, our ambition does not end in 2020. This is why it is vital that we maintain a sustainable business model and cash flow in the years beyond. Introducing new services and solutions that help our customers, while looking into value-creating growth, is crucial to the company's long-term prosperity. We have identified three substantial growth domains – connected community, convenient shopping, and network logistics – which we believe have the potential to further strengthen our sustainability up to and beyond 2020.

The table below illustrates how PostNL 2020 is translated into the individual business segment ambitions, and is built on the OnePostNL drivers.

PostNL 2020

Be *the* postal & logistic solution provider in chosen markets

Mail in the Netherlands	Parcels	International
Connect senders and receivers through our people and innovative postal networks	Be the logistic solutions provider that makes our customers' lives easier	Capture opportunities from accelerating global e-commerce
• Continuing to focus on customer satisfaction and quality • Creating innovative solutions to enhance our portfolio and meet customer demands • Compensate volume decline with balanced pricing and cost savings, taking into account the competitive and regulatory environment • Ensuring continuous cost saving across the value chain.	• Strengthen our position as the leading e-commerce logistics solution provider in the Benelux • Developing innovative and market driven solutions in all markets, adding value for our customers • Continuously enhancing our best-in-class networks.	• Expand our cross border business through our position as a strong player in the international e-commerce market • Be the smart challenger in Italy with our local brand Nexive • Strengthen our position in Germany and finalise the strategic review of Postcon
Ambition for 2020: **Deliver a sustainable cash flow**	**Ambition for 2020:** **Create further profitable growth**	**Ambition for 2020:** **Enhance cash profitability**

OnePostNL

Build on our core competences	Committed to our stakeholders	Delivering growth	Strong financial position

Mail in the Netherlands

Our ambition for Mail in the Netherlands is to deliver sustainable cash flow, by connecting senders and receivers through our people and innovative networks. We will make this happen by realising four concrete goals:

- Continuing to focus on customer satisfaction and quality
- Creating innovative solutions to enhance our portfolio and meet customer demands
- Compensate volume decline with balanced pricing and cost savings, taking into account the competitive and regulatory environment
- Ensuring continuous cost savings across the value chain.

We continuously focus on improving our customer satisfaction and the quality of our services. From our customer satisfaction surveys, we know that customers view high quality services, ease of use, fast and efficient resolution of problems, and good customer contact as the most important aspects of doing business with us. In 2015 we made a number of improvements in these areas, and will continue to improve in the coming years. Examples include offering e-tailers specially-sized packages that fit through the mail box, 'ID check at the door', Track & Check, and klantenvinden.nl.

Additionally, we focus on online and mobile solutions that give customers greater control over the sending and receiving of their deliveries. These solutions are launched first as pilots, before being further developed following customer feedback and released to the wider market.

In the period 2015 to 2017, we forecast an average total addressed mail market decline of 7 percent to 9 percent per year. From 2018 to 2020, our forecast is an average decline of 5 percent to 7 percent per year. We aim to offset the market volume decline for the 2015 to 2020 period through cost savings and balanced pricing. Our pricing strategy focusses on price increases well above inflation, combined with targeted discounts to protect our volumes. This also takes into account the competitive and regulatory environment.

Stronger cost savings and new cost savings plans have enabled us to increase our cost savings target by €200 million, from €145 million to €345 million in the 2015 to 2020 period. Our goal remains to safeguard a reliable and accessible mail network nationally, where quality and customer satisfaction remain our long-term key differentiators.

More information about the progress Mail in the Netherlands made in 2015 realising our current strategy, as well as how these achievements began contributing to PostNL 2020, can be found in the Implementing our strategy in 2015 chapter.

Parcels

Our ambition for Parcels is to create further profitable growth by being the logistic solutions provider that makes our customers' lives easier. We will make this happen by realising three concrete goals:

- Strengthen our position as the leading e-commerce logistic solution provider in the Benelux
- Developing innovative and market driven solutions in all markets, adding value for our customers
- Continuously enhancing our best-in-class networks.

Creating further profitable growth in the e-commerce market is one of our main ambitions, which we achieve through a broad logistic solutions offering across the e-commerce market. For example, within Parcels Benelux we developed a number of innovative solutions that we believe will become industry standards include Sunday delivery, evening delivery, and same-day delivery. Additionally, we continue to focus on enhancing our Benelux network to continually improve the quality of our deliveries. We also made the services of mijnpakket.nl, including its Track & Trace options, available through the PostNL app. Within 2C, we are focusing on specific growth areas, which are food, home & garden, health & personal care, electronics and fashion. To further grow in these areas, we are developing market-specific innovations, such as the food delivery box and return solutions for the fashion market.

We are a leading 2B player in the Netherlands. We expect growth of between 1 percent and 3 percent in this area in 2016. In 2015 we concentrated on refining our service levels, and now offer customers service levels on par with the market's leading players. Having achieved this, in the coming years we will concentrate on growing our market share by exceeding customer expectations with innovative solutions and high quality levels. We will focus on specific industries with a demand for 2B and 2C solutions, such as health & personal care, electronics, and fashion. To further develop these areas we are introducing specific value-added services, such as guaranteed delivery before 10:00AM, before noon, or before 5.00PM, and combining parcel and pallet delivery for our 2B customers.

Within Logistic Solutions we operate several networks. Within 2B these are Valid Express, Mikropakket and Pharma & Care. In 2C we operate Extra@Home and E-commerce Services. Our ambition is to become a market-driven solution provider, offering a tailored combination of our services, supported by our parcels' network. For customers in rapidly growing e-commerce sectors – food, home & garden, health & personal care, electronics, and fashion – we continue to develop innovative propositions, enabling growth of the online market. Customers are increasingly outsourcing delivery, and we are ideally positioned to service these customers in the Benelux.

To realise our ambitions across Parcels, we utilise our information system, data knowledge and our focus on continuous improvement to enhance our best-in-class networks. This enables us to combine our networks as one to offer our customers the best solutions at the highest quality levels. More information about the progress Parcels made in 2015 realising our current strategy, as well as how these achievements began contributing to PostNL 2020, can be found in the Implementing our strategy in 2015 chapter.

You can read more about the innovative new technologies we are introducing to make our networks future-proof in the *Case study: New delivery and sorting centres for Parcels*.

Case study
Working on a sustainable future at Parcels
"It was great to see that parcel deliverers immediately approved of their new work environment"

More on postnl.nl/case-parcels

International

Our ambition for International is to enhance cash profitability. We will make this happen by realising three concrete goals:
- Expand our cross border business through our position as a strong player in the international e-commerce market
- Be the smart challenger in Italy with our local brand Nexive
- Strenghten our position in Germany and finalise the strategic review of Postcon.

Cross border business is an important contributor to our revenue, and the globalisation of e-commerce offers a great deal of growth potential. The global cross-border e-commerce market is estimated at more than one billion items per year, with average annual growth of 20 percent expected until 2020. We are taking advantage of this growth to expand our position in the cross-border market by leveraging the strengths across PostNL. For example, we are attracting more inbound volumes from foreign customers through our Spring Global Delivery Solutions (Spring) sales channels, which use the PostNL networks. At the same time, we are strengthening our position in the Benelux parcels market by offering better international solutions to our Benelux customers through our Spring operations.

Spring is a strong player in international e-commerce solutions, and is ideally positioned to leverage global e-commerce growth. It provides worldwide solutions in the mail and e-commerce markets, with sales networks in countries with the largest e-commerce opportunities. Spring's gateway services enable senders and receivers to ship parcels from across the world via one hub in Europe. And through our broker model, we are able to offer flexible international delivery solutions that leverage our networks, customer base and core competences.

This focus on offering customers new cross-border mail and parcels solutions, such as cost effective postal solutions for small packets and international returns platforms, means we have transformed our cross-border business from a mail-only provider to a full mail, parcels and returns solutions provider.

Our ambition for Nexive is to increase our market share in the Italian mail market. We will achieve this by leveraging on our successful Formula Certa network and expanding our customer base. Additionally, we will further improve our network efficiency by capturing synergies between our mail and parcels networks. A key growth area will be in the 2C parcels market, where we are ready to take advantage of the anticipated growth in e-commerce. This will be possible by leveraging our network improvements, using our partner networks, and through investments in our service offering to targeted e-tailers.

At our German business, Postcon, our ambition is to grow our market position. We will achieve this by focusing on cost leadership while providing the right quality levels, and reaping the benefits of working with high-profile customers. This growth, combined with further cost optimisation, will enable us to increase cash profitability. In the meantime, the strategic review of Postcon is nearing its completion. We will communicate the conclusions of the review when available.

In 2015, we concluded a management buy-out of Whistl following a strategic review of our activities in the UK. As part of the transaction we will retain a 17.5% stake in Whistl and will continue supporting the business as a shareholder.

More information about the progress International made in 2015 realising our current strategy, as well as how these achievements began contributing to PostNL 2020, can be found in the Implementing our strategy in 2015 chapter.

OnePostNL

Over the last few years we have focused on developing OnePostNL, and we will continue this going forward. OnePostNL is built on our core competences, and is derived from our commitments to our stakeholders. Its goal is to help us deliver growth and strengthen our financial position.

Build on our core competences

Over the last few years we have worked on creating an environment that promotes both closer collaboration internally and sustainable employability. We call this closer collaboration OnePostNL, where we focus on a culture that advocates four leading behaviours:

- Working together for OnePostNL
- Being fact-based and decisive
- Taking ownership for results and timely delivery
- Being innovative and customer oriented.

We are a people company and having the right talent is vital for the future of the company, from operators of our next-generation sorting machines to senior managers. We look closely at the skills future leaders will require and we use our succession plans and our training programmes to identify and develop in-house talent. This also includes attracting (young) talent from outside the company to support the growth and development of the company

In addition to culture, development and engagement, we are convinced that diversity amongst our workforce and management, which reflects the diversity within society, is crucial. It creates a healthier, more sustainable working environment, and is vital in realising our ambitions. This is why we hire qualified people who fit within our culture, irrespective of their ethnicity, gender, age or sexual orientation.

Our IT strategy focuses on unifying the customer experience, as well as making our logistical operations more flexible and standardising and simplifying our back-office processes. To achieve this, we will concentrate on the following three strategic enablers:

Customers experiencing us as OnePostNL

- Improving the customer experience: we are setting up one customer base, which will provide us with a 360-degree customer view. This means we will always be able to offer our customers the right services at the right time
- Implementation of a business portal for our customers: this will act as the foundation of the OnePostNL platform, by providing our customers with an overview of all the postal, parcel and logistic services they have running with PostNL. This will be rolled out gradually
- Continuous development of our PostNL app: this app has been growing in popularity in the Netherlands, and acts as one of the carriers for all the services we offer.

Adding value for our customers

- Establishing the basis for a data-driven company: we will focus on improving the quality of our data. We will use data analytics to transform data into business insights, which can increase logistics efficiency and add value for our customers
- Acting as a data services company: our focus will be on providing a range of services that makes it easier for e-commerce start-ups to get established, by providing logistics data and helping them integrate their web shops with our delivery channels.

Simplifying business processes

- Implementing one financial system: this will simplify our accounting & control environment, leading to lower costs. As we move towards 2020, we will extend the system with improved business intelligence and analytics
- Implementing one HR system: this will provide us with a better understanding of the capabilities of the people who work for us, increasing performance and succession planning across the company, and lowering costs. This programme will be finalised at the beginning of 2018.

Committed to our stakeholders

We are committed to our stakeholders, and focus on the interests of our customers, our investors, our people, the environment and society. From providing our customers with innovative services and solutions, to creating a secure working environment and solid cash management that enables us to restore dividend. We believe that balancing the needs of our stakeholders is the way to create long-term value for our business.

Delivering growth

Delivering growth is an important part of our strategy for the next five years. We have identified three substantial growth domains that we are already active in, but which we believe have the potential to strengthen our results up to and beyond 2020. These are connected community, convenient shopping, and network logistics.

Connected community

"How can we exploit our proximity and trusted brand in an ageing society and support communities and cities in remaining attractive to their citizens"

More people are settling in urban areas, increasing the strain on the country's road and transport infrastructure. At the same time, life expectancy is increasing. By 2030, for example, it is estimated that there will be more than four million elderly people in the Netherlands. By developing smart and efficient solutions, we help make our customers' daily lives easier and more enjoyable. Both trends create opportunities for us. Cities are creating environmental zones, resulting in the demand for more sustainable delivery solutions. At the same time, an ageing population will require a range of different delivery solutions, including medication and warm meals. We are ideally positioned to provide solutions in these areas, given our presence in the Netherlands at more than seven million front doors. We are and always will be close by.

Convenient shopping

"How can we combine the ever increasing e-commerce trend with our capabilities"

The potential of e-commerce is huge. Currently, only 17 percent of retail sales is through e-commerce. But this is changing rapidly. Customers are increasingly ordering goods online, both in their home markets and from abroad. They are demanding greater control over when and where their goods are delivered. And they are moving into new sectors, such as ordering food online. They enjoy the ease of delivery, which removes the need to travel to the supermarket and carry the shopping home. At the same time their purchasing habits are changing. There is growing demand for biological products and locally produced and sourced foods, such as directly from the farm.

When buying online, consumers increasingly expect to obtain relevant offerings based on their personal preferences. Driven by the Internet of Things, in 2020 it is expected that over 50 billion devices will be connected to the internet. This opens up many opportunities for pro-active and efficient home pantry management. For example, smart fridges will keep track of their contents and will order new groceries when needed. These services require IT expertise, customer knowledge, innovative delivery solutions and the high quality networks that we can provide.

Network logistics

"How can we exploit and expand our network logistics capabilities and services to support increasingly complex supply chains"

Omni-channel e-commerce is growing fast. Customers expect total flexibility in terms of when, where, and how they order their goods. This means supply chains are shifting, and becoming much more complex. Producers are not just delivering to wholesalers and retailers, but also directly to the end consumer. Smart stock management has become a necessity, with wholesalers and retailers demanding state-of-the-art warehousing and spot-on fulfilment. With the most comprehensive network in the Benelux, and a broad range of specialised solutions, we not only understand our customers' needs, we are able to supply them with a future-proof supply chain.

PostNL has the networks, knowledge and people, and is well positioned to capture the opportunities that these growth domains will offer in the coming years, enabling us to become *the* postal and logistic solution provider in chosen markets. Examples of how we are already delivering services and solutions within these domains can be found throughout the Implementing our strategy in 2015 chapter.

Strong financial position

We will realise this ambition through ongoing business improvement and solid cash management. This will enable us to restore dividend and create long-term value for our shareholders. Capital allocation will be directed at reducing debt, restoring dividend and investing in growth. Our ambition towards 2020 is to have a strong financial position, realising an annual underlying cash operating income of between €265 million and €335 million, excluding our German activities. We also aim to pay a dividend as early as possible.

You can read more about the progress we made with our financial strategy in the chapter Performance 2015 and outlook 2016.

SWOT analysis

Our SWOT analysis provides us with clear markers that could impact or influence PostNL 2020. We actively address each issue to evaluate which steps to take to reduce threats, bolster weaknesses, maintain strengths, while exploiting opportunities. The threats are derived from the major risks further explained in the Risk management chapter included in the Governance section. The most important takeaways from our SWOT analysis are:

Strengths	Weaknesses
• Strong position as the leading postal and logistic solution provider in the Benelux • Strong customer focus and ability to realise innovative services and solutions • Number two position in Italy and Germany • Ability to exceed customer expectations through efficient and cost effective networks • We have a strong and trusted brand, with a presence across the Netherlands at more than seven million front doors	• Substantial share of our revenue comes from traditional, declining mail market • We have limited influence on the creation of a level playing field in the international regulatory environment • Negative consolidated equity position
Opportunities	**Threats**
• Create increased added value for our customers and business by combining logistics and digital solutions • Continued strong growth of domestic and global e-commerce markets • Our focus on data and knowledge management will enable us to realise operational efficiencies and develop new services and solutions • Realise costs savings by moving to the cloud, standardising IT systems and simplifying internal processes • We identified three growth domains that have the potential to strengthen our results up to and beyond 2020	• Exposure to sector-specific and other legal or regulatory changes • Strong competition in the mail and parcels market • Ongoing switch of mail senders to digital communication • Volatility of the value of our stake in TNT Express, and of our pension obligation

How we will use our strengths to balance our weaknesses and counteract threats

We will continue to use our five core competences, which were explained in detail in chapter four, to focus on the interests of our customers, our investors, our people, the environment, society, and other stakeholders.

We provide high quality service to our customers through our motivated people and our best-in-class networks. We invest in developing the capabilities of our people and our information systems to optimise our networks.

Balanced pricing and cost savings will enable us to compensate volume decline within Mail in the Netherlands. In addition, our new sorting and delivery centres within our Parcels business will enable us to absorb future growth potential.

We have good working relationships with regulatory authorities, and have built up extensive knowledge and experience of the postal environment over the course of many years. This helps us when preparing for new developments within the legal and regulatory environment. In 2015 we reduced the volatility risk of pensions following the implementation of the new Dutch financial pension regime (nFTK), through our revised finance agreement with the pension fund. In 2016, we expect to divest our 14.6% stake in TNT Express to FedEx.

How we will take advantage of opportunities

Global acceleration of e-commerce and technological developments are changing the world and impacting our customers' day-to-day lives. As a central player in the digital and physical mail and parcel world, we are becoming increasingly aware of our customers' preferences and habits. This provides us with the unique opportunity to develop new services and solutions to satisfy their changing needs.

Our core competences are essential in managing opportunities. For example, we are able to provide our customers with intuitive and easy-to-use services by utilising the knowledge contained within our information systems. We continue to adapt our infrastructure and delivery procedures to ensure we always provide customers with the best delivery possible. Pilot projects enable us to test new services and solutions that are close to our core mail and parcels businesses. The feasibility and success ratios of these pilot projects are closely monitored.

6 Implementing our strategy in 2015

We have transformed the company into an efficient, flexible, customer oriented, and financially healthy organisation. In 2015 we defined PostNL 2020, which includes a clear financial ambition. In this chapter we outline the progress we made across our business segments during the year, which were focused on realising our current strategy.

We also discuss how these achievements began contributing to PostNL 2020. We then highlight the steps we will take for each of our business segments in 2016 and beyond, enabling us to become the postal and logistic solution provider in chosen markets. We close the chapter with an overview of the achievements we made towards OnePostNL.

Mail in the Netherlands

Our ambition for Mail in the Netherlands continues to be to deliver sustainable cash flow. All the improvements we made during the year were aimed at realising this ambition. Below we discuss how we realised our strategic goals, and began supporting our PostNL 2020 ambitions.

Continued focus on customer satisfaction and quality

The quality of our mail delivery improved over the last three years from 93.9% to 96.4%. This was partly due to the streamlining of quality processes amongst our deliverers. For example, customer complaints are now dealt with directly by the deliverer's manager, enabling swifter resolution of the problem. We also put a great deal of effort into quickly and effectively resolving any customer issues that occurred. In 2015 our customer satisfaction rate increased to 86% (2012: 79%).

Discover the path of a letter

Find out how we collect, sort and deliver 10 million letters a day utilising our best-in-class network

More on postnl.nl/letter

Our goal is to continue to improve the quality of our mail delivery and our customer satisfaction. One of the focus areas is on ensuring we use the most appropriate delivery option, such as car, scooter or bike to help increase the quality of our deliveries. Other examples of improving our service offering, which will take place in 2016, are rolling out international Track & Trace and implementing procedures to increase the speed at which we resolve customer complaints.

Create innovative solutions to enhance our portfolio and meet customer demands

E-commerce is growing rapidly, both in terms of the volumes of packages ordered online and the increasing numbers of webshops. Each of these developments creates opportunities for us. For example, by offering e-tailers specially-sized packages that fit through mail boxes and can be processed through our mail network. Additionally, retailers, including webshops, need marketing services such as direct mail and online marketing to connect with their customers. One example is Klantenvinden.nl, where we combine the strength of direct mail with the ease of use of digital solutions. SMEs are able to attract customers through online marketing, direct mail, and data services. Customers are attracted to direct mail marketing because it has a higher sales conversion rate than online marketing.

In 2015 we introduced a number of innovative customer services. These included services that offer our customers offline solutions that improve their online business. One example is 'ID Check at the door', where our deliverers check the ID of the receiver of the mail or parcel. This is used for sending confidential documents - such as financial or medical information - where only the addressee can take delivery. The service is also proving popular with business customers, who request an ID check for alcohol or tobacco ordered online, and where the recipient must be 18 years of age or older. We also continued to utilise synergies across our mail and parcels networks, with the roll out of a pilot called MyTime. More information on this can be found in the Parcels section of this chapter.

During the year we introduced Track & Check for the government, one of our largest customers. The service, which is unique in the Netherlands, enabled the government to check if the millions of individual voting cards sent during the national elections had passed through our mail network. One of our goals for 2016 is to upgrade the service to full Track & Trace, giving customers the ability to track individual items through to delivery, helping us broaden our customer base.

We need to be able to continue to offer our customers a range of different services. One of our growth domains is connected community, and in 2016 we will continue with a pilot scheme we launched with local authorites in Schiedam, where mail deliverers notify the authorities about public services that need attention. Examples include overfull rubbish bins, or loose paving slabs. With our people visiting every street in the country, we are ideally positioned to provide connections in the community.

Compensate volume decline with balanced pricing and cost savings, taking into account the competitive and regulatory environment

Ongoing substitution by digitisation is causing a significant decrease in mail volumes. At the same time, competition within the physical mail market is intensifying. In 2015 we initiated a strategy to protect our volumes within the parameters set by the regulator, the Dutch Authority for Consumers and Markets (ACM). We increased our prices only to the level that it would not materially impact volumes. We also began offering targeted price discounts at certain volume levels for specific services. Additionally, we began offering our services to other (regional) postal operators at certain price levels and under conditions as set by the ACM in its rulings based on article 9 Postal Act.

Since 2014, the ACM has been authorised to impose obligations on postal operators with significant market power. In 2015, the ACM consulted with PostNL and other postal operators on draft significant market power rulings, including intended obligations imposed on us. The obligations concerned non-discriminatory access granted to other postal operators to the PostNL network, as well as transparency of tariffs and conditions including a reference offer. We shared our position and discussed the scope of the intended obligations.

The adjusted Dutch Postal Act, effective 1 January 2016, enables us to adapt our network of post boxes and post offices to reflect postal volume developments and customer needs.

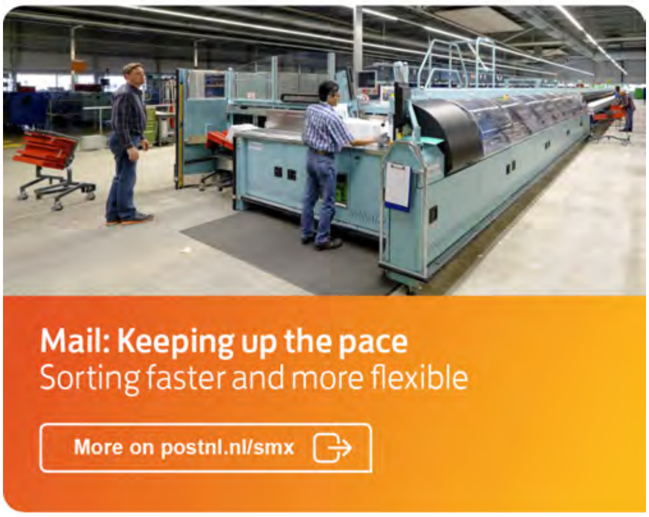
Regarding the cost allocation system, we provided ACM with a number of proposals and clarifications. After they evaluated our proposals, the ACM agreed and concluded that the cost allocation system complies with all legal requirements. Additionally, the ACM set the 2016 tariff headroom for the USO. We increased our 2016 rates in line with this headroom.

Continuing cost savings across the total value chain

In 2015 we continued to roll out our next-generation sorting machine, the sorting machine extra (SMX), with eleven up-and-running by year-end. The SMX is able to sort and sequence both small and large envelopes and is the first machine in the world able to do so. The SMX reduces preparation and sorting time, contributing to our cost saving programme, and improves the quality of our service. It is able to sort 85 percent of mail in sequence order compared to 65 percent achieved by current machines, and consumes less energy. We also ordered a number of Sorting Machine Coding (SMC), with the first due to be delivered in 2016, and a full roll out envisaged in 2017. The SMC automates part of the preparation activities, and introduces more flexibility when realising delivery route optimisation. For example, the SMC adds codes to envelopes, which enables us to prepare a mail route in a central sorting centre instead of in decentralised depots. In addition, we will simplify our service portfolio and continue to optimise the number of depots. This will make transportation between depots more efficient. More information can be found in *Our stories: Keeping up the pace*.

Related story

How the sorting machine extra makes us future-proof



We reduced the number of preparation centres from around 280 in 2012 to around 80 in 2015, improving efficiency. We also concentrated on creating a more efficient head office, marketing & sales department and car unit. The redesign of the Mail in the Netherlands car unit has resulted in an estimated reduction in car trips of around 30 percent. This involved both reducing staff levels and transferring over 250 people to Parcels.

Parcels

Our focus within Parcels is on creating profitable growth. All the improvements we made during the year were aimed at realising this ambition. Below we discuss how we realised our current strategic goals, and began supporting our PostNL 2020 ambitions.

Strengthen our position as leading e-commerce logistics company in the Benelux

In 2015 we focused on providing services that will help our customers and enable us to continue as the leading logistics company within the Benelux. Examples of these include extending our Sunday and evening deliveries to a broader range of e-tailers, and offering customers the option to guarantee next-day delivery of orders made online before midnight. For some companies we also offer same-day delivery. In 2016, we expect to expand this service to many more customers. In order to strenghten our position it is vital that we continue to innovate and further improve our delivery options and additional services, ensuring that we stay ahead of the market and surpass customers' expectations.

Within the 2B market, we concentrated on improving our service levels to meet those of the market's leading players. For example, over the last few years we have started offering our 2B customers the option of having their parcels and pallets delivered together. We also expanded our delivery options in this market through guaranteed delivery before 10.00AM, before noon or before 5.00PM. To supply our 2B customers with more personal and efficient service, we began offering dedicated 2B customer service, providing a single point of contact. This will be supported by our new pro-active reporting tools.

Because our 2B service offerings were relatively unknown within the market, we continued to initiate several marketing campaigns that have increased our brand awareness as a 2B player. This led to new 2B clients and participation in tenders. Our dedicated 2B sales team offers potential clients the logistics expertise and dedicated focus 2B clients are asking for.

In 2016 we aim to implement several improvements across Parcels Benelux to realise PostNL 2020. These include:

- Rolling out a service that realises pick up points across 500 locations in the Netherlands, where small and medium-sized enterprises (SMEs) can drop off customer orders until 9.00PM, with next-day delivery guaranteed. This service began as a pilot at 34 locations in 2015
- Rolling out same-day deliveries to a broader customer base, after offering it to a small group in 2015. This will enable customers to have a parcel delivered on the same day when ordered before noon
- Introducing options to reroute parcels before the first delivery attempt. This service gives the receiver even greater control, and will improve our chances of delivering on the first attempt.

For Logistic Solutions, 2015 was a year in which we raised the performance level of our networks. We embedded continuous improvement in our networks' day-to-day operations, resulting in increased quality levels. In 2016 our attention will shift to profitability and growth, through greater focus on customer-oriented solutions using the Logistic Solutions and Parcels networks.

Continue to create innovative market-driven solutions that add value for our customers

We develop our products and solutions based on customer and market demands, while our technological developments are based on improving efficiency and saving costs. In 2015 we worked with Wageningen University to develop a food delivery box, which can maintain a range of temperature levels for several hours and be delivered through our existing networks. This provides e-tailers with a number of new opportunities to explore home delivery of food. On the back of this development, we set up a pilot and we are working with a number of supermarkets to develop cost efficient solutions. Currently, we are able to offer end consumers delivery windows of three hours, and we are working to reduce these further. This specific windows increases our chance of achieving first-time delivery. The online share of the Dutch retail food market is around two percent, which means there is a great deal of potential for future growth.

We also introduced a pilot called MyTime, which enables consumers to select a specific delivery time for their purchase, in two-hour time slots. MyTime was co-developed with two customers in the electronics sector, and is aimed at high-value, high-demand goods. We are currently evaluating the success of the pilot, and will decide in 2016 whether to further roll out the concept. We continue to work on developing our receivers platform Postweb, and are continuously working on improving our timeframes for expected delivery.

Additionally, we are developing new market-driven solutions and logistics capabilities. For example, solutions for the floriculture sector where, together with partners from the sector, we will facilitate growth within the online market and direct sales between growers and the consumer. We are also a full service logistics partner of Retourplaza, a startup that sells returned goods from web shops at a discount.

Continuously enhance our best-in-class infrastructure

Every parcel that goes through our network physically starts digitally. Using our IT and data knowledge, we are able to continously enhance our networks and manage them as one. Over the last three years we have rolled out a number of new sorting and delivery centres, opening our eighteenth in 2015.

These state-of-the-art facilities improve network efficiency and act as the backbone of our services, enabling us to provide innovative, value-added parcel services. And their scalability means we will be able to satisfy growing demand in the future, ensuring our customers receive today's high levels of service tomorrow and beyond. In 2015 we also focused on improving the quality and efficiency of our network in Belgium, which will help us realise our growth ambition.

In 2016 we will pilot new technologies to further optimise sorting and other processes. We will also further improve and expand our Belgium network bringing it on par with our other networks. We will achieve this by expanding into Wallonia, improving customer service quality, and improving our return solutions.

Discover the path of a parcel

Find out how we collect, sort and deliver 500,000 parcels a day utilising our best-in-class network

More on postnl.nl/parcel

With 3,500 parcel pickup points across the Benelux, we have a very dense collection and pickup network that enables us to provide optimal flexibility for senders and receivers. In 2016 we aim to further expand the number of parcel points, especially in our Belgium network. During the year we participated in a delivery box pilot in Belgium, which enables parcels to be delivered to a secure box when customers are not home.

Within Logistic Solutions we expanded our Pharma & Care business to the Netherlands in 2015, giving us coverage across the Benelux. Pharma & Care distributes temperature-controlled goods to pharmacies, health centres and hospitals. This is a market in which we expect to grow, as increasing numbers of consumers look to have their medication delivered at home.

Ensuring all of our networks operate to the same high quality standards enables us to provide the best service mix to all of our customers. We can combine collection or delivery of packets and parcels for a 2B customer or deliver both parcels and large consumer goods for an e-commerce customer. This is where our Extra@Home two-man delivery service proves its added value. Extra@Home fulfils e-commerce orders of large consumer goods, such as washing machines and bicycles. Customers are increasingly outsourcing delivery, and we are ideally positioned to service these customers in the Benelux. In the coming years we will look into expanding our Logistic Solutions networks through the acquisition of networks with new capabilities.

Our operations need a workforce that consists of a balanced mix of employees, and independent deliverers with the required permits and qualifications and contract companies. There is an ongoing debate in the Netherlands about self-employed workers, their position within companies, as well as their rights and benefits. For PostNL, this matter mainly concerns the status of independent parcel deliverers within our Parcels business segment.

Recognising our social responsibility as market leader, in 2015 we launched our Sustainable Delivery Model. This programme aims to develop a sustainable parcels market that provides fair and competitive working conditions, and increases the commitment of our people by stimulating cultural diversity, innovation and entrepreneurship. We want our deliverers to feel satisfied about the work they do, and strive to improve cooperation to ensure we solve problems together.

As part of the introduction of the Sustainable Delivery Model, we committed to investing in the development of, and the relationship with, the independent parcel deliverers that work for us. Additionally, we committed to hiring more employees. As part of our focus on sustainable employment, in 2015 we continued to look for internal employment opportunities for those employees impacted by restructuring at our Mail in the Netherlands car unit. By the end of the year, we had transferred over 250 drivers to our Parcels business, who now work as parcel deliverers.

The introduction of the Sustainable Delivery Model led to discussions with the FNV trade union, where we offered our independent parcel deliverers four options: Remain an independent deliverer with an increase in remuneration of around 10 percent, on the condition they achieve the necessary certification by 1 January 2016; become a PostNL employee; enter into an employment contract with an independent transport firm that works for PostNL; or discontinue operations, whereby a solution may be provided for the van they use for their distribution activities.

The FNV presented these options to the independent parcel deliverers. Following these meetings, in July a number of independent parcel deliverers chose to take industrial action. Fortunately, these actions ended relatively quickly and we continued discussing the offer with each of our independent parcel deliverers. To date, we have spoken with the vast majority of them. As of the end of 2015, over 120 independent deliverers had chosen to become PostNL employees, while 500 had chosen to remain independent. The financial impact from the Sustainable Delivery Model, including from the action taken in July 2015, is expected to amount to between €15 million and €20 million annually, of which €9 million materialised in 2015.

Additionally, we launched a programme to further improve the relationship with all of our independent deliverers. As part of the programme we measure satisfaction levels among the deliverers, work to optimise their delivery routes, and run a cultural programme in which both the deliverers and their managers talk about working and cooperating together. Based on the positive feedback we have received, this programme is proving to be very successful.

International

Within International, we focused on creating profitable growth. All the improvements we made during the year were aimed at realising this ambition. Below we discuss how we realised our strategic goals, and how these began contributing to enhancing cash profitability, our PostNL 2020 ambition.

Expand our cross border business through our position as a strong player in the international e-commerce market

Within our cross border business, we are building upon distinctive propositions in the global market to enhance revenue growth and cash profitability. Through Spring Global Delivery Solutions (Spring), we offer convenient, optimised, and customised international and mail package solutions, via our own and our partners' postal networks.

We are growing rapidly through our Gateway service, which enables senders and receivers to ship parcels from across the world via one hub in Europe. This is driven by end consumers in Europe and beyond, who are increasingly purchasing products from Asian webshops. Ten percent of goods ordered through global e-commerce markets are returned. We offer unique, flexible and comprehensive international solutions, including return solutions, across Europe, removing boundaries for global e-commerce companies. Making use of PostNL assets, we offer affordable and reliable integrated distribution, using our own network, and those of our partners.

Explosive growth in the demand for milk powder in China led to a huge increase in the number of parcels shipped from the Netherlands. This has now developed to significant growth in all parcel shipments from across the European Union to China. To take advantage of this opportunity, in 2015 we established a dedicated logistic process to China, resulting in a 70 percent faster process time per parcel. Currently, we process an average weight of 60 tonnes of parcels per day, which added up to 2 million parcels over the course of the year. This increase in deliveries is also increasing our carbon footprint, and is one of the reasons that the CO_2 emissions of our subcontractors increased by 62 percent year-on-year.

The OnePostNL culture, which helped facilitate close cooperation across the company, was vital in developing this process optimisation. This has resulted in us becoming the Netherlands' market leader in parcel shipments to China, and taking a top-3 position in Europe.

Nexive: be the smart challenger in Italy

Nexive has a nation-wide delivery network, and each day we deliver mail to 80 percent of Italian households. In 2015, Nexive introduced the innovative service E-box, comparable with MyMail in the Netherlands. This service offers full Track & Trace for mail items, comparable to Track & Trace for parcels in the Benelux. In the coming years Nexive will strengthen its market position by leveraging on the successful Formula Certa network. Formula Certa redesigned its product offering during the year, to better focus on its target industries and address specific market trends, such as volume declines in the banking sector.

As it continued to work towards becoming a fully integrated postal platform, in 2015 Nexive launched its own parcel network, a last-mile structure across Italy. This network is supported by around 40 partners. Its Sistema Economy offering, which is a parcel product delivered through the mail network, contributed to a 50 percent increase in parcels' volume compared to 2014. From 2016, Nexive's focus will be on enhancing network efficiency, improving service quality, exploiting synergies with mail, and expanding service offerings with a tailor-made and integrated proposition to target e-commerce players, such as launching a fulfilment service.

Strengthen our position in Germany and finalise the strategic review of Postcon

In 2015 we continued to successfully develop our OnePostcon programme, consolidating corporate management in one headquarter, strengthening our sales structure, and focusing even more on customers' needs. All administrative, sales, and operational management tasks were consolidated at one location in Ratingen. We strengthened our cross-selling activities within the various business divisions, and we continued to position ourselves as a cost-efficient and reliable partner. We implemented a new structure across our end-to-end delivery service in the Rhein-Ruhr and Frankfurt regions, further training employees in the areas of logistics, quality, and leadership. These measures introduced greater efficiency, helping us realise our ambition of being a cost-efficient and reliable partner.

In the meantime, the strategic review of Postcon is nearing its completion. We will communicate the conclusions of the review when available.

OnePostNL

OnePostNL is the cornerstone of our strategy. It played a vital role in the implementation of our strategy this year, and will continue to play an important role in the years to come. We believe that by cooperating across the business segments we can create more value, improve the services we offer our customers, and increase efficiency.

There are four key items that make up OnePostNL, and are crucial in realising our overall ambition of being *the* postal and logistic solutions provider in 2020. These are: build on our core competences; committed to our stakeholders; delivering growth; and strong financial position.

Build on our core competences

Our core competences have enabled us to make real progress across the business. Below we explain the progress we have made shaping our core competences, which act as a platform for future success.

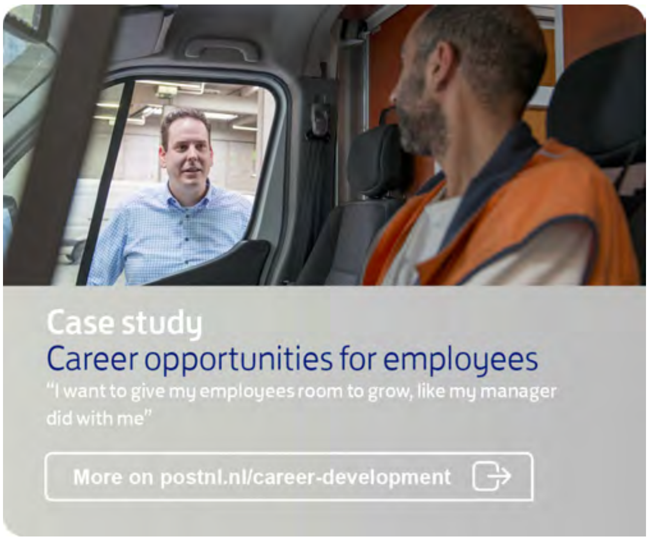
People

In 2015 we trained approximately 1,000 managers and employees on cultural awareness and how to act as a role model. These trainings included team brainstorming sessions on how managers can introduce relevant cultural aspects into their day-to-day operations. Within Parcels we focused our efforts on growing trust and collaboration between the operational personnel. The programme was well received and ranked by attendees.

To further develop our OnePostNL culture in 2016 and beyond, we will continue to embed culture and behaviours in our performance management practices. In addition, we will further standardise and simplify our HR processes. This will improve the efficiency and effectiveness of communication with our people.

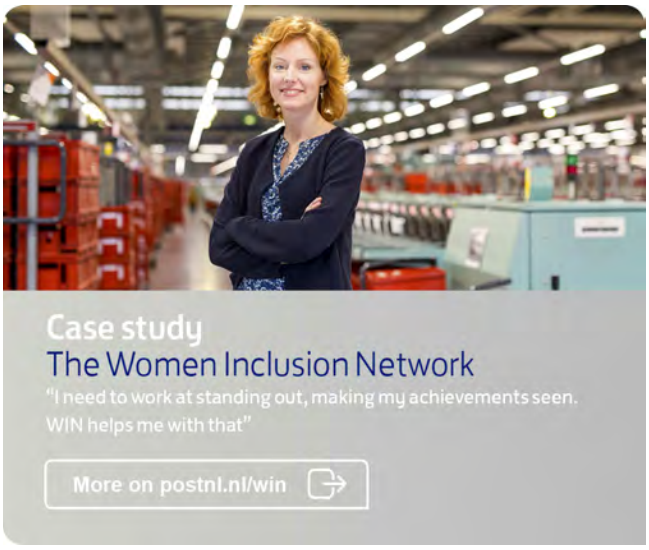
We strive to evaluate the performance of our high-potential employees and senior managers twice per year, including development and internal growth. In 2015 we evaluated 1,800 employees, with the aim of identifying future leaders and specialists. In 2015 we hired 40 new trainees for our Young Executive Programme (YEP) and filled 150 vacancies from amongst our experienced professionals. In 2015 we won the 'Client of the year' award, chosen by freelancers from among 530 other companies as freelancers' favourite client to work for.

More on our recruitment and career development programmes, including their performance in 2015, can be found in the CR performance statements and the case study below. The *Case study: Career opportunities for employees* highlights the importance of continual learning for both personal development and the business.



We also focus on reducing absenteeism and accident prevention. One way we achieve this is by running preventative programmes, making employees more aware of their health. We also run safety programmes for our drivers, focused on reducing accidents and driving more sustainably. However, an inherent part of our business is transporting mail and parcels along our roadways. This involves the risk of accidents and incidents, and we deeply regret having to report three fatalities in 2015.

Every year we carry out an engagement survey. From these surveys we know that people who score strongly on working together for OnePostNL have higher engagement levels. At the same time, those with high engagement levels are more receptive to the desired cultural behaviours. While we continue to develop our OnePostNL culture, in 2015 OnePostNL helped employee engagement increase from 56% in 2012, to 59% in 2014 and 64% in 2015. Our aim is to continuously improve the engagement of our people.
Our aim is to increase the number of women that work within management. In 2015, we continued our successful Women Inclusion Network (WIN) initiative and mentoring programmes. In addition, we paid special attention to female talent in our succession and talent management approach. Based on these and other initiatives, we have been able to increase the number of women in management positions from 21% in 2012 to 25% in 2015. More information about WIN can be found in the *Case study: The Women Inclusion Network*.



We strive to employ more people in managerial positions with a multicultural background. In 2015, we successfully organised five multicultural in-house days for future high potential employees from our YEP. A multicultural programme manager was assigned to improve the development and recruitment of multicultural employees in our graduate and professional population, helping to establish an even more inclusive organisation.

More information on our people indicators, including diversity, can be found in the CR performance statements chapter.

In 2015, we continued constructive discussions with the trade unions, and agreed a new two-year collaborative labour agreement for mail deliverers, which will run until 30 September 2017. The agreement highlights the value of our mail deliverers to the company, while incorporating the ongoing challenges facing the company. In addition, we agreed a new social plan with the trade unions. This social plan applies to all employees that fall under the PostNL collective labour agreement. The plan runs from 1 January 2016 until 31 December 2020.

In 2015 we also helped a number of employees move from a job within PostNL to a job outside PostNL as part of our Mobility programme. Since the programme began, it has helped around 8,000 employees. More about this programme can be found in the *Case study: Responsible redesign*.

Case study

Responsible redesign

"After almost forty years at PostNL, I really couldn't see myself transferring to a different employer"

More on postnl.nl/redesign

Networks

The growth in e-commerce is leading to an increase in parcel volumes. Because everything that happens physically through our networks has a digital footprint, a robust IT infrastructure is vital. This is why we have invested in highly scalable back-end processing within our Parcels segment, which positions us well for future growth. Using our information systems and data, we are able to optimise our networks and manage them as one.

Additionally, we continue to optimise our Mail in the Netherlands and Parcels networks. For example, in 2015 we further reduced the number of mail preparation centres we operate at Mail in the Netherlands. This will enable us to profit from the increased efficiency of running centralised depots. Over the last three years we have rolled out a number of new sorting and delivery centres within our Parcels segment, opening our eighteenth in 2015. These facilities improve network efficiency, enabling us to provide innovative, value-added parcel services.

In 2015 we have also expanded the number of locations where customers can pick up their parcels to 3,500, including locations in Belgium. Within Logistic Solutions, we operate a number of niche networks, such as Extra@Home, Pharma & Care and Valid Express. We added customer value by further improving our delivery options and return solutions. One example is the ability to return old goods when new ones are delivered.

Customers

During 2015 we continued to focus on providing our customers with a seamless, OnePostNL experience, as well as broadening our services. One example is the ongoing development of our PostNL app, which continued to grow in popularity in the Netherlands during the year. As one of the carriers of all our services, it provides a true OnePostNL experience. Additionally, we introduced a range of services that helped improve our customer satisfaction rating from 79% in 2012 to 86% at the end of 2015. One example is 'ID Check at the door', where our deliverers check the ID of the receiver of the mail or parcel. We also introduced Track & Check for the government, a unique service in the Netherlands that enabled the government to check if the millions of individual voting cards sent during the national elections had passed through our mail network. For 2B customers of our parcels service, we expanded our delivery options through guaranteed delivery before 10.00AM, before noon and before 5.00PM. More information on 2015 developments can be found in the business segments sections at the beginning of this chapter.

Knowledge

As a people company, a lot of our knowledge is implicit. It is who we are, how we do business, and what we offer. It is contained in the experience of our deliverers, the knowledge of our operators, and the expertise of our staff. Accessing and sharing this knowledge across the organisation is vital to realising our ambitions. The OnePostNL culture, in which we focus on working together for one PostNL, has helped us increase knowledge sharing across the business segments, enabling us to outperform customer expectations. One example is our cross-border parcels proposition, where we combine the sales network of Spring with our network in the Benelux. This means large e-tailers in Asia, the US, and Canada can use our gateway to have their parcels delivered in Europe, taking advantage of the the same Track & Trace service we offer domestically. Like international Track & Trace, many of our other services rely heavily upon our data knowledge and IT systems. For example, we make it easy for businesses to start webshops by providing them with information on order and delivery options and solutions. Studying data from successful first deliveries will help us develop new customer options and create a more efficient delivery process. Additionally, customer contact through social media, the Internet, call centres, or chat sessions will help us get to know our customers better, enabling us to improve our services and deliver at the right time and the right place.

We also offer businesses accurate data on postcodes, helping them to increase the accuracy of their shipments. For international e-tailers this involves having the right address to ship their products accurately across Europe. We use our own data and that of our partners to make this happen for them.

Our IT systems also play a crucial role in optimising internal processes and data. For example, by offering a single customer ID for all PostNL services and solutions we are able to provide customers with a OnePostNL experience. This also helps simplify our internal processes, from HR and performance management, salary and compensation administration, to optimising our value chain.

Trust

We provide trust through our excellent services and high quality standards. With a mail delivery quality in the Netherlands of 96.4% in 2015, our quality levels remained well above the minimum requirement of 95%. We also maintained high delivery standards for Parcels, even during the peak Christmas season when we processed 1.4 million parcels per day.

Our delivery quality is also one of the key dimensions that contributed to a strong reputation score in 2015. This score has improved steadily from 60.6% in 2012 to 67.7% in 2015. A survey, carried out among members of the public, also indicated that society values our services and solutions and sustainability performance, such as fulfilling customer needs and contributing positively to society. In 2015, we were ranked in the Netherlands as being one of the top brands 'People cannot live without'.

This increase in trust that society is placing in us is also reflected in customer acceptance of the services we offer. One example of a trusted service is ID Check at the door, which is described in the Mail in the Netherlands section of this chapter.

Committed to our stakeholders

We focus on the interests of all of our stakeholders in different ways, while balancing their needs. We are in close daily contact with our customers, which provides us with the knowledge required to outperform customer expectations by delivering innovative services and solutions. Examples of these can be found earlier in this chapter. For our people we ensure they work in a safe and secure environment, and promote sustainable employability, as outlined above in the People section.

We maintain good relationships with trade unions, based on mutual respect and recognition of our shared interests. We also maintain a constructive dialogue with the Central Works Council, the European Works Council, and other works councils about the working environment and sustainable employability. For example, in 2015 we agreed a new two-year collaborative labour agreement and a new social plan.

At the end of 2015, we provided our investors with an update on our strategy and ambition PostNL2020, as outlined in the chapter: Our strategy. This was in addition to the discussions and meetings we held with shareholders, potential shareholders and analysts throughout the year, as well as our quarterly results.

Operating a sustainable business means understanding our place in society, as well as our impact on society. Throughout the year we focused on ensuring mail remained accessible and reliable. In our discussions with the ACM we focused on our role as the universal service provider, and how we can ensure that the market continues to provide customers with the best levels of service possible.

For example, once we have selected the most effective delivery method for our customers, we also look for the most sustainable solution. In 2015 we increased the number of cars running on biogas to around 140. We also began an e-scooter pilot project, testing different brands to discover which best satisfies our needs. We will continue with this pilot and evaluate going forward.

During 2015 we held our annual stakeholder dialogue. These and other initiatives enable us to better understand our own behaviour, the needs of our stakeholders, and produce balanced responses. The stakeholder dialogue was attended by customers, investors, employees, independent parcel delivers, local government representatives and social organisations. For the first time we also involved a Kids Counsel, an initiative of the Missing Chapter Foundation. Young people are our future stakeholders, with their own expectations and ideas about our future business, which they provided to us during the meeting. This year the stakeholder dialogue focused on the question: what will ordering and delivery look like in 2020, and what are the requirements for PostNL to be successful? Topics discussed during the dialogue were: customer expectations, combining online and offline logistics, digitisation and smart logistics.

More information on how we engage with our stakeholders can be found in the *Case study: Stakeholder dialogue,* and in Section 1: Basis of preparation of the CR Performance Statements.

Case study:
Stakeholder dialogue
"One boy's remark got us talking about the core question when it comes to our relationship with stakeholders"

More on postnl.nl/stakeholderdialogue

Delivering growth

We have identified three market trends that we believe will alter the world and will impact our business segments in different ways. One of the outcomes of these market trends will be a number of opportunities for our business. To exploit these opportunities successfully, we work continuously on innovating across the business. This is important because we want to ensure that the services we offer align as closely as possible with the changing needs and wishes of our customers. We are building on our existing assets, such as our reliable brand, our tight-knit distribution network, our knowledge of our customers' delivery preferences, and employees who carry out their duties with pride.

In 2015, we began a number of new services and initiatives aimed at making our customers' lives easier. For example:

- Food delivery is expanding in the Benelux. During the year we worked on better delivery options, such as evening deliveries and delivering during specific time slots
- We began developing MyMail, an app that lets customers choose to receive a message when mail arrives for them, and can then decide where and when they want it delivered
- To take advantage of the growing home & garden market, during the year we launched Flora@Home. This services enables growers to sell directly to the end customer, extending their market reach.

Strong financial position

We will realise our ambition by ongoing business improvement and solid cash management. This will enable us to restore dividend as early as possible and create long-term value for our shareholders. In 2015, we delivered on our promises with an underlying cash operating income of €303 million and net cash from operating and investing activities of €135 million. Our consolidated equity position further improved to -€223 million, whereas net debt further decreased to €552 million. Our ambition for 2020 details an underlying cash operating income of between €265 million and €335 million, excluding our German activities. Our outlook for 2016, excluding Germany, is an underlying cash operating income of between €220 million and €260 million, reflecting the effects of regulatory measures (significant market power), volume protection, the Sustainable Delivery Model and expected higher restructuring cash outs and implementation costs ahead of cost saving plans.

You can read more about the progress we made implementing our financial strategy in the Performance 2015 and outlook 2016 chapter.

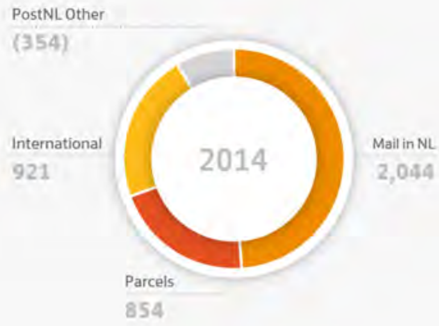
7 Performance 2015 and outlook 2016

Integrated Performance Dashboard

Financial performance

Revenue
(in € millions)

3,461



Underlying cash operating income
(in € millions)

303
(margin: 8.8%)

Cost savings
(in € millions)

85

Profit for the year (excluding TNT Express)
(in € millions)

147

Net cash from operating & investing activities
(in € millions)

135

Operational and corporate responsibility performance

Mail in the Netherlands

Addressed mail volume

-11.2%

(in million items)

2015	2,401
2014	2,705

Parcels

Volume growth

+9.6%

(in million items)

2015	156
2014	142

Customer satisfaction

86%

2015	86%
2014	85%

Delivery quality Mail in the Netherlands

96.4%

preliminary

2015	96.4%
2014	96.7%

Employee engagement score

64%

2015	64%
2014	59%

CO_2 efficiency index

51.4

2015	51.4
2014	56.1

This chapter outlines the key financial and corporate responsibility performance of PostNL and the performance of our business segments. Thereafter, we explain the other financial indicators. We conclude with the outlook for 2016.

Performance 2015

The key drivers of PostNL's performance include:

- the volumes of mail and parcels we deliver, the mix of services we provide to our customers, and the prices we receive for our services,
- the ability to adapt operating expenses to shifting volume levels, by creating a flexible workforce and implementating costs savings programmes,
- the level of pension fund obligations and total pension contributions,
- the development of the value of the stake in TNT Express, and
- in broader perspective the quality of our services, satisfied clients and a motivated and engaged workforce.

Comparative 2014 results represented

Please note that the comparative 2014 results have been represented to reflect the impact of the transfer of Cendris Customer Contact from PostNL Other to Mail in the Netherlands and the impact of the discontinued operations in the United Kingdom. More information on the discontinued operations can be found in note 3.8 to the consolidated financial statements.

PostNL's financial results

In 2015, our revenue slightly decreased by €4 million to €3,461 million (2014: 3,465). Revenue increases at Parcels and International were offset by a decrease in revenue in Mail in the Netherlands. Adjusted for foreign exchange rate changes, underlying revenue decreased by €19 million to €3,446 million.

Underlying operating income decreased by 7.3% to €358 million (2014: 386). The decrease of €28 million is explained by a negative volume/price/mix effect in addressed mail (-€57 million) within Mail in the Netherlands, autonomous cost increases (-€21 million), increased underlying pension expenses (-€16 million) and other effects (-€39 million), partly offset by cost savings of €84 million (excluding pensions) and increased results within International (€16 million) and Parcels (€5 million).

Underlying cash operating income amounted to €303 million (2014: 287). The increase of €16 million is explained by less pension cash contributions and restructuring cash out, partly offset by the decrease in underlying operating income of €28 million.

Underlying (cash) operating income development

Management monitors the financial performance of the Group and the business segments via various measures. One of these is the earnings measure 'underlying cash operating income' as this focuses on the underlying cash performance, which is the basis for the dividend policy.
In the analysis of the underlying cash operating performance, adjustments are made for exceptional items, as well as adjustments for non-cash costs for pensions (defined benefit plans) and provisions. For pensions, the IFRS-based defined benefit plan pension expenses are replaced by the non-IFRS measure of the actual cash contributions for such plans. For the other provisions, the IFRS-based net charges are replaced by the related cash outflows.

In the tables below, the business segments are presented as Mail in the Netherlands, Parcels and International. PostNL Other represents head office entities, including the difference between the recorded IFRS pension expense for the defined benefit pension plans and the actual cash contributions.

From reported to underlying (cash) operating income 2015

(in € millions)

Year ended at 31 December	Reported operating income	Rebranding PostNL/ Project costs	Restructuring related charges	Payment unconditional funding obligation pensions	Past service pension costs	Underlying operating income	Changes in provisions	Changes in pension liabilities	Underlying cash operating income
Mail in NL	237		1	26	(1)	263	(34)	(25)	204
Parcels	101		2	2		105	(2)	(2)	101
International	0	8	11			19	1	(1)	19
PostNL Other	2		(3)	(28)		(29)	(10)	18	(21)
Total 2015	**340**	8	11	0	(1)	**358**	(45)	(10)	**303**

From reported to underlying (cash) operating income 2014 (represented)

(in € millions)

Year ended at 31 December	Reported operating income	Rebranding PostNL/ Project costs	Restructuring related charges	Past service pension costs	Underlying operating income	Changes in provisions	Changes in pension liabilities	Underlying cash operating income
Mail in NL	297		6		303	(43)	(30)	230
Parcels	100				100		(2)	98
International	(9)	12			3	(1)		2
PostNL Other	14		2	(36)	(20)	(8)	(15)	(43)
Total 2014	**402**	12	8	(36)	**386**	(52)	(47)	**287**

Actuals 2014 represented for the transfer of Cendris Customer Contact from PostNL Other to Mail in NL and the impact of the discontinued operations in the United Kingdom.

From reported to underlying operating income

Underlying operating income totalled €358 million in 2015 (2014: 386). Compared to 2014, the underlying operating income of 2015 decreased by €28 million. Underlying operating income excludes exceptional items, which amounted to €18 million in 2015 (2014: -16). Underlying operating income margin was 10.3% in 2015 (2014: 11.1%).

In 2015, the first installment of the unconditional funding obligation to the pension fund of €32 million was made. The segments Mail in the Netherlands, Parcels and PostNL Other record the unconditional funding obligation paid as expenses. As these payments do not represent IFRS-based pension expenses, PostNL Other records the reverse effect.

The restructuring related charges within International mainly relate to the restructuring in Germany.

From underlying operating income to underlying cash operating income

In 2015, underlying cash operating income increased to €303 million from €287 million in 2014. Underlying cash operating income margin was 8.8% in 2015 (2014: 8.3%).

The changes in provisions of -€45 million in 2015 (2014: -52) represent the difference between the underlying net addition for restructuring and other provisions of €3 million (2014: 0) and the underlying cash payments of €48 million (2014: 52).

The changes in pension liabilities of -€10 million in 2015 (2014: -47) represent the difference between the recorded underlying pension expenses of €137 million (2014: 121), which excludes the positive effect of past service pension costs of €1 million (2014: positive effect of 36), and the underlying cash payments of €147 million (2014: 168), which excludes the first installment of the unconditional funding obligation of €32 million.

The increase of €16 million in underlying cash operating income comprised a lower result at Mail in the Netherlands (-€26 million), more than offset by higher results within Parcels (€3 million), International (€17 million), and PostNL Other (€22 million).

PostNL's corporate responsibility results

Management monitors the corporate responsibility performance of the Group via various measures related to our customers, our people and the environment. We aim for continuous improvements on quality, for example by improving our services, quickly and effectively solving complaints, and providing excellent customer contact. Our people are key to these improvements.

In 2015 we made good progress developing innovative and market-driven solutions, with a corresponding positive effect on our customer satisfaction results, which at 86% were ahead of our performance in 2014, which came in at 85%. We also continued to broaden our services by establishing early morning pick up points, initiating evening and Sunday delivery and launching before 10.00AM, before noon and before 5.00PM delivery options for our business customers. With 96.4% our on-time delivery quality remained well above the required level of 95%. We continued our active management on quality results to realise the highest possible quality for our customers.

Increased customer satisfaction and continuous high delivery quality also showed in an improved reputation score of PostNL of 67.7% (2014: 64.5%). At the same time, employee engagement increased to 64% (2014: 59%). In 2015, we continued the rollout of our culture programme, introducing the desired and leading behaviour principles. Working together for OnePostNL was an essential driver for the improved engagement score.

Our CO_2 efficiency index was ahead of target in 2015, at 51.4 (2014: 56.1, base year 2007: 100), mainly caused by the improved CO_2 efficiency of our buildings. Parcels' new sorting and delivery centres are nearly complete, with 18 state-of-the-art sorting locations now in operation, all of which have an A+ energy label. Additionally, we sold several older buildings, which had a positive impact on our CO_2 efficiency. In Italy, our Nexive operation moved to sustainable electricity, which had an additional positive effect on the CO_2 efficiency of our buildings.

In 2015, we operated over 140 greengas vehicles with minimal environmental emissions. In 2015, our Dow Jones Sustainability Index score decreased slightly to 82 points out of 100 (2014: 83). However, our score in the Transparantie Benchmark reached 179 points out of 200, surpassing our performance in 2014 (168).

More in-depth information on theses topics can be found in the CR Performance Statements chapter.

Results Mail in the Netherlands

The volume of addressed mail items declined by 11.2% in 2015 (2014: 10.7% decline). The substitution of traditional mail by digital alternatives continued and was the main contributor for the loss of volumes. Around 2 percent of the volume decline was caused by competition. With 96.4% our on-time delivery quality remained well above the required level of 95%.

The following table shows the addressed postal items delivered.

Operating statistics Mail in NL

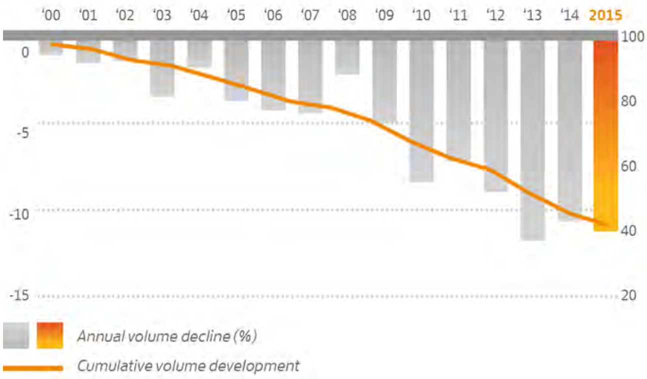
(in million items)

Year ended at 31 December	2015	2014
Single items	561	624
Bulk mail	1,840	2,081
Addressed postal items delivered	**2,401**	2,705

The following chart shows the volume development since 2000.

Volume development Mail in the Netherlands

(in %)



In 2015, revenue in Mail in the Netherlands was €1,961 million (2014: 2,044). The decrease by 4.1% was driven by the volume decline of 11.2%, partly offset by a positive price/mix effect. The positive price/mix effect is mainly explained by price increases on bulk mail, the stamp price increases per 1 January 2015 and the price increase of the December stamp.

In 2015, total cost savings of €85 million were realised by the implementation of our restructuring plans within operations, marketing and sales and head office departments.

Operating expenses Mail in NL

(in € millions)

Year ended at 31 December	2015	2014 represented
Cost of materials	30	35
Work contracted out and other external expenses	734	717
Salaries, pensions and social security contributions	752	785
Depreciation, amortisation and impairments	41	49
Other operating expenses	171	168
Total operating expenses	**1,728**	1,754

In 2015, total operating expenses decreased by €26 million compared to 2014. Main contributor to this decline were lower salaries, pensions and social security contributions (€33 million), mainly due to cost savings as a result of a smaller employee base (€45 million) and lower underlying pension costs (€13 million), partly offset by the unconditional pension obligation of €26 million. Work contracted out increased by €17 million, mainly due to increased net export volumes (terminal dues) of €49 million, partly offset by less use of subcontractors and lower rent and lease expenses. The cost for depreciation, amortisation and impairments decreased by €8 million mainly due to impairments related to real estate in 2014.

Underlying cash operating income decreased by €26 million to €204 million in 2015 (2014: 230). The negative volume/price/mix effect (-€57 million), autonomous cost increases (-€17 million) and other effects (-€37 million, amongst others lower results from unaddressed, cross border and other services), were only partly compensated by strong cost savings (€57 million) and lower pension and provision cash out (€28 million).

Results Parcels

Revenue
(in € millions)

917

2015	917
2014	854

Parcel volume

+9.6%

(in million items)

2015	156
2014	142

Underlying cash operating income
(in € millions)

101

(margin: 11.0%)

2015	101
2014	98

In 2015, volumes in Parcels increased strongly by 9.6%. The volume growth was supported by strong growth in international parcels. The following table shows the number of parcels handled, split between domestic and international, both for 2015 and 2014.

Operating statistics Parcels

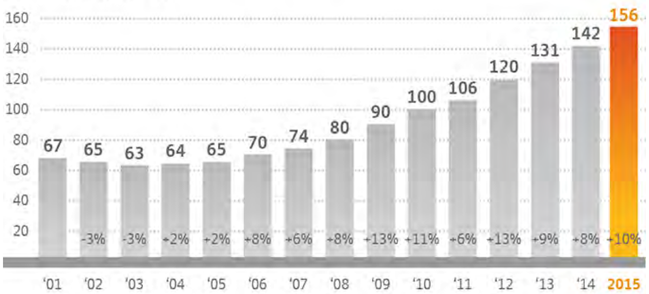
(in million items)

Year ended at 31 December	2015	2014
Domestic	130	123
International	26	19
Total	**156**	142

The following chart shows the development of parcel volumes:

Volume development Parcels

(in millions of items)



In 2015, revenue of Parcels increased by 7.4% to €917 million (2014: 854), mainly due to strong volume growth of domestic and international parcels driven by continued growth in e-commerce, partly offset by a lower average price per parcel.

The new sorting and delivery centres are nearly completed. At the end of 2015, 18 new centres were operational and all old distribution centres and sorting centres were closed. The new sorting and delivery programme requires an investment of around €240 million in total. In 2015, the total spent increased by €13 million to €221 million. The operational efficiency of our parcels network continued to increase due to volume growth and the further implementation of the new sorting and delivery centres.

Operating expenses Parcels

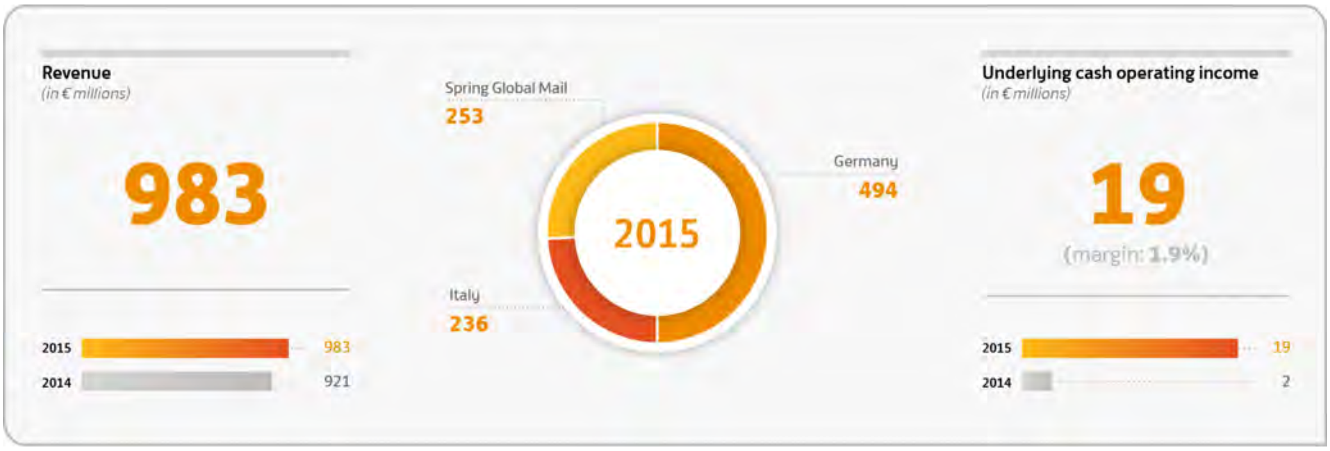
(in € millions)

Year ended at 31 December	2015	2014
Cost of materials	15	16
Work contracted out and other external expenses	586	524
Salaries, pensions and social security contributions	163	161
Depreciation, amortisation and impairments	23	20
Other operating expenses	29	33
Total operating expenses	**816**	754

In 2015, total operating expenses increased by €62 million compared to 2014. Higher work contracted out is the main contributor (€62 million) and largely related to increased volumes, service expansion and higher business partner costs. As a result of the new sorting and delivery programme, depreciation costs increased by €3 million.

Underlying cash operating income increased by €3 million to €101 million in 2015 (2014: 98). Despite higher costs (-€9 million) resulting from the implementation of a sustainable delivery model, business performance improved due to volume growth and efficiency improvements (€11 million) and lower implementation costs for the new sorting and delivery centres (€4 million), partly offset by other effects (-€3 million).

Results International



In 2015, our Whistl activities in the United Kingdom were sold to Whistl management (we retained a stake of 17.5% in Whistl) and presented as discontinued operations. As a result, the Whistl activities in the United Kingdom are no longer part of the continuing operations of the International segment, with comparative figures of 2014 also represented. For details on the sale, please refer to note 3.8 of the consolidated financial statements.

In 2015, volumes and revenue of International further increased. Total revenue in 2015 was €983 million (2014: 921), an increase of 6.7%. Adjusted for foreign exchange rate changes, revenue increased by €47 million or 5.1% to €968 million.

Operating revenue by country

(in € millions)

Year ended at 31 December	2015	2014 represented
Germany	494	488
Italy	236	237
Spring Global Mail and other (including eliminations)	238	196
Operating revenue	**968**	921
Foreign exchange rate changes	15	
Total operating revenue	**983**	

The increase of €47 million mainly resulted from revenue growth in Spring Global Delivery Solutions (€42 million), helped by revenue growth in Germany (€6 million).

Germany

In Germany, revenue increased by €6 million or 1.2%. Growth in National revenues due to higher volumes were partly offset by the decline in the consolidation business. Continued positive impact from strategic initiatives to realise operational and overhead costs savings are the main drivers behind improved financial performance.

Italy

In Italy, revenues were in line with last year with a small decrease of €1 million or -0.4%. In 2015, profitability was impacted by start-up losses related to the set-up of parcel services in Italy.

Spring Global Delivery Solutions

In 2015, revenue of Spring Global Delivery Solutions (Spring) and other increased by €42 million (+21.4%). Main contributor was the strong growth in volumes from Asia. Despite some incidental costs, profitability further improved in 2015.

Operating expenses International

(in € millions)

Year ended at 31 December	2015	2014 represented
Cost of materials	12	12
Work contracted out and other external expenses	734	702
Salaries, pensions and social security contributions	173	168
Depreciation, amortisation and impairments	9	8
Other operating expenses	40	41
Operating expenses	**968**	931
Foreign exchange rate changes	15	
Total operating expenses	**983**	

Total operating expenses of International amounted to €983 million in 2015 (2014: 931). Adjusted for foreign exchange rate changes of €15 million, total operating expenses increased by €37 million. The increase in operating expenses is mainly explained by volume growth in Germany and Spring. Furthermore, operating expenses were impacted by exceptional costs of €19 million (2014: 12) related to rebranding/project costs and restructuring charges within Postcon.

International ended 2015 with an underlying cash operating income of €19 million (2014: 2). The improvement of €17 million is mainly explained by the improved performance of Germany and Spring.

Results PostNL Other

PostNL Other included head office costs, such as costs of shared services, staff departments and the Board of Management. Except for shareholder costs, all costs are charged to the other segments.

Results PostNL Other

(in € millions)

Year ended at 31 December	2015	2014 represented
Total operating revenue	188	196
Total operating expenses	(186)	(182)
Underlying cash operating income	**(21)**	(43)

Operating revenues of €188 million in 2015 (2014: 196) related to shared service activities that were charged to the business segments. The decline in revenues of €8 million is explained by a decrease in shared service activities, accompanied by a lower cost level resulting from improved efficiency. In 2015, all staff departments and services continued the realisation of the overhead cost saving programme.

Total operating expenses increased by €4 million to €186 million (2014: 182), mainly due to lower past service pension income. In 2015, pension costs did not include a past service gain whereas in 2014 a past service gain of €36 million was recorded.

PostNL Other's underlying cash operating income of 2015 improved to -€21 million (2014: -43). Cost savings (€28 million) combined with a reverse impact of exceptional items related to 2014 (€5 million) were partly offset by higher (autonomous) costs (-€8 million) and lower charges to the business (-€3 million).

Other financial indicators

In 2015, profit for the year excluding the results related to our stake in TNT Express decreased to €147 million (2014: 220). The decline of €73 million mainly resulted from the loss from discontinued operations of Whistl of €34 million and the net impact of higher pension expenses of €33 million, which includes the net impact of the past service pension costs of €26 million. See the table on the next page for the summary consolidated income statement including resulting earnings per share.

Net cash from operating and investing activities was €135 million (2014: 141). When adjusted for the payment of the unconditional pension funding obligation of €32 million, net cash from operating and investing activities increased by €26 million. This increase is mainly explained by higher underlying cash operating income (€16 million) and improved working capital (€61 million), partly offset by higher income taxes paid (-€34 million) and higher investments (-€18 million).

At the end of 2015, net debt was €552 million, compared to €683 million at the end of 2014. The improvement of €131 million was mainly due to an improved cash position, when adjusted for the bond repayment in June 2015.

Summary consolidated income statement

(in € millions)

Year ended at 31 December	2015	2014 represented
Total operating revenue	3,461	3,465
Other income	4	8
Total operating expenses	(3,125)	(3,071)
Operating income	**340**	402
Net financial expense	(78)	(94)
Results from investments in jv's/associates	(2)	(1)
Income taxes	(77)	(83)
Profit/(loss) from continuing operations	**183**	224
Profit/(loss) from discontinued operations	(34)	2
Profit for the year	**149**	226
Profit for the year (excluding TNT Express)	147	220
Attributable to:		
Non-controlling interests	0	1
Equity holders of the parent	149	225
Earnings per ordinary share (in € cents) [1]	33.8	51.1
Earnings per ordinary share (excluding TNT Express; in € cents) [1]	33.3	49.9

1. Earnings per ordinary share are in 2015 based on an average of 440,593,717 outstanding ordinary shares (2014: 440,593,717).

PostNL's profit for the year decreased from €226 million in 2014 to €149 million in 2015. The decrease of €77 million was largely influenced by the loss from discontinued operations of Whistl of €34 million and the net impact of higher pension expenses of €33 million, which includes the net impact of the past service pension costs of €26 million.

The loss from discontinued operations of €34 million in 2015 mainly includes the net impact from exit costs related to the termination of the end-to-end delivery service of €19 million, a fair value impairment to align the carrying value to fair value less costs of disposal of €24 million and a €11 million positive recycling effect related to exchange rate differences previously recorded within equity.

Profit for the year excluding TNT Express of 2015 decreased by €73 million compared to 2014. The related earnings per share decreased to 33.3 eurocents (2014: 49.9).

Net financial expense

(in € millions)

Year ended at 31 December	2015	2014 represented
Interest and similar income	12	11
Interest and similar expenses	(90)	(105)
Net financial expense	**(78)**	(94)

Interest and similar income of €12 million in 2015 (2014: 11) mainly related to interest on banks, loans and deposits and interest on taxes. In 2015 an amount of €2 million related to dividend received from TNT Express (2014: 6).

Interest and similar expenses of €90 million in 2015 (2014: 105) mainly related to interest on long-term borrowings of €69 million (2014: 75) and interest expenses on pensions of €13 million (2014: 20). Interest expenses on long-term borrowings decreased as a result of the repayment of a bond in June 2015.

Income taxes

(in € millions)

Year ended at 31 December	2015	2014 represented
Current tax expense	79	70
Changes in deferred taxes	(2)	13
Income taxes	**77**	83

Income taxes amounted to €77 million in 2015 (2014: 83). The decrease of €6 million is predominantly explained by the lower profit before income taxes. The effective tax rate before the impact of the stake in TNT Express was 29.8% in 2015 (2014: 27.6%), which is higher than the statutory income tax rate of 25% in the Netherlands due to irrecoverable tax losses and updates to tax positions. For further details, see notes 2.2 and 3.7 to the consolidated financial statements.

Underlying net cash income

(in € millions)

Year ended at 31 December	2015	2014 represented
Underlying cash operating income	**303**	287
Net financial expense (adjusted) [1]	(65)	(74)
Tax expenses	(77)	(83)
Underlying net cash income	**161**	130

1. Adjusted for the exclusion of interest on pensions of €13 million (2014: 20).

PostNL's underlying net cash income amounted to €161 million in 2015 (2014: 130). The increase of €31 million is mainly explained by the increase in underlying cash operating income of €16 million and €9 million lower adjusted net financial expense.

Stake in TNT Express and pensions

Stake in TNT Express

At 31 December 2015, PostNL held a 14.6% stake in TNT Express with a value of €626 million (2014: 445). The fair value change of €181 million is explained by the increase in the share price of TNT Express in 2015 from €5.54 to €7.79, reflecting FedEx public offer of €8.00 per share that was announced on 7 April 2015. In 2015 €2 million dividend was received (2014: 6).

For further details, see note 4.2 to the consolidated financial statements.

Pensions

In 2015, the pension fund for employees with a personal labour agreement (PostNL related participants within Stichting Ondernemingspensioenfonds TNT) merged with the main pension fund (Stichting Pensioenfonds PostNL). To compensate for the lower coverage ratio of the incoming fund PostNL is committed to an unconditional payment of €7 million. This amount is added to the unconditional funding obligation of €150 million committed by PostNL in 2013.

In 2015, following changes in the regulatory framework, the execution agreement between PostNL and the main fund has been adjusted. The main changes are an adjustment of the recovery period from three to five years, relevant for determining the amount and term of the top-up payment obligation of PostNL, and the termination of the €315 million conditional budget that was earmarked to compensate for potential discounts to the accrued pension entitlements in the period 2014 - 2018. In determining the top-up payment obligation, the resilience of the pension fund will be taken into account. The requirement to supplement a deficit will be determined on the basis of the 'beleidsdekkingsgraad' (i.e. the 12-months average coverage ratio).

In 2015, PostNL started the payment of the unconditional funding obligation to the main fund by a first instalment of €32 million. At 31 December 2015, the outstanding funding obligation amounted to €129 million, which will be paid by 4 equal instalments during the years 2016 - 2019.

For accounting purposes, we saw a slight increase in the IAS 19 discount rate from 2.3% at 31 December 2014 to 2.5% at 31 December 2015. The expected pension accrual rate was also reduced. The resulting decrease in pension obligations was only partly offset by a lower than assumed return on plan assets. Together with the impact of the pension asset ceiling and minimum funding requirement the net impact on equity resulting from pensions was limited to €45 million.

At the end of 2015, the main pension fund had a month-end coverage ratio of 106.0% (2014: 108.9%). The decreased coverage ratio is mainly explained by higher pension obligations resulting from a sector-wide change in the calculation method of the Ultimate Forward Rate ("UFR") and the cancellation of the 3-months average UFR, partly offset by higher pension plan assets due to the fund's investment return of 1.4%. The 12-months average coverage ratio amounted 106.8% per 31 December 2015 (2014: 111.8%).

For further details, see note 3.4 to the consolidated financial statements.

Financial position

Summary consolidated statement of financial position

(in € millions)

At 31 December	2015	2014
Non-current assets	1,378	1,187
Current assets	860	1,097
Assets classified as held for sale	13	193
Total assets	**2,251**	2,477
Equity	(223)	(597)
Non-controlling interests	7	7
Non-current liabilities	1,481	1,577
Current liabilities	986	1,358
Liabilities rel. to assets held for sale		132
Total equity and liabilities	**2,251**	2,477

The non-current assets of €1,378 million at 31 December 2015 (2014: 1,187) consisted of property, plant and equipment of €508 million for land, depots and sorting machinery (2014: 519), financial fixed assets of €724 million including the stake in TNT Express (2014: 538), goodwill of €90 million (2014: 84) and other intangibles of €56 million mainly related to IT software (2014: 46). During 2015, the non-current assets mainly increased due to the fair value change of €181 million of our stake in TNT Express.

The current assets of €860 million at 31 December 2015 (2014: 1,097) mainly consisted of trade accounts receivable of €337 million (2014: 355), prepayments and accrued income of €126 million (2014: 116) and cash and cash equivalents of €355 million (2014: 585).

Following the sale of our UK business Whistl in 2015, the assets held for sale decreased to €13 million at 31 December 2015 (2014: 193) and the liabilities related to assets held for sale decreased to nil (2014: 132). The assets held for sale fully related to buildings and equipment in the Netherlands (2014: 19).

Non-current liabilities of €1,481 million (2014: 1,577) mainly consisted of provisions for pension liabilities of €449 million (2014: 538) and long-term debt of €934 million (2014: 912).

Current liabilities of €986 million (2014: 1,358) mainly consisted of accrued liabilities of €577 million related to deposits and terminal dues (2014: 540), and other current liabilities of €409 million (2014: 455). The decrease of €372 million compared to 2014 is mainly due to the repayment of a bond in June 2015.

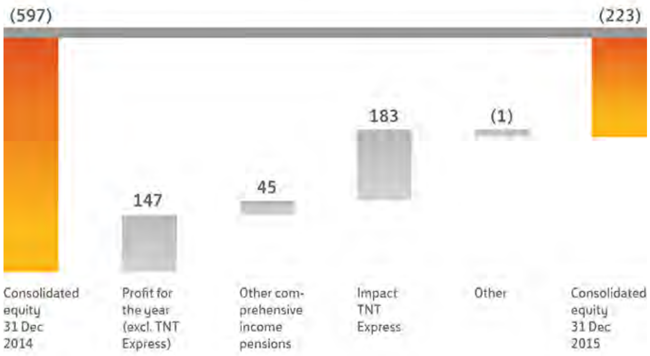
Equity position

Consolidated equity

Consolidated equity attributable to equity holders amounted to -€223 million at 31 December 2015 (2014: -597). The increase of €374 million during 2015 is mainly explained by the profit for the year of €147 million, the impact from the stake in TNT Express of €183 million (fair value adjustment of €181 million plus €2 million dividend received) and other comprehensive income on pensions of €45 million.

Development of consolidated equity 2015

(in € millions)

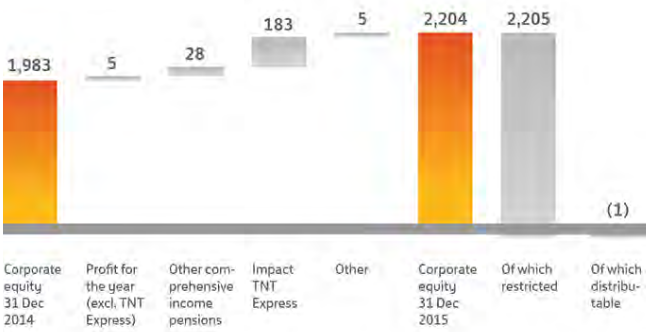


Corporate equity

Corporate equity amounted to €2,204 million at 31 December 2015 (2014: 1,983). The increase of €221 million during 2015 is mainly explained by the impact from the stake in TNT Express of €183 million, the corporate's other comprehensive income on pensions of €28 million and the corporate profit for the year of €5 million. The profit for the year of €5 million (excluding €2 million dividend income from the stake in TNT Express) included dividend income of €200 million, an impairment of the Mail investments of -€145 million and other results, mainly net financial expenses, of -€50 million. For further details, see section 6 of the financial statements.

Development of corporate equity 2015

(in € millions)



Funding position

At 31 December 2015, net debt amounted to €552 million (2014: 683). The improvement of €131 million mainly resulted from the net cash from operating and investing activities.

Debt maturing within one year is recorded as short-term debt. Debt maturing over one year is recorded as long-term debt. The carrying value of the short- and long-term debt (excluding interest) on 31 December 2015 amounted to €935 million (2014: 1,275). For further details, see note 4.1 to the consolidated financial statements.

Debt cash outflows (including interest)

(in € millions)

	< 1 yr	1 - 3 yr
Eurobonds	56	988
Financial leases	1	1
Total	57	989

PostNL has a €400 million committed revolving credit facility, which was fully undrawn at the end of 2015. PostNL has no material credit facilities or other debt refinancing in the short term. There are no financial covenants.

Actions to strengthen equity and funding position

To strengthen its equity and funding position, PostNL has taken the following steps:

- improved business performance as visible in the increase in underlying cash operating income since 2012,
- strict control on capital expenditures, limited acquisitions and tight working capital management, and
- a revised financing agreement with the main pension fund.

Cash flow data

Summary consolidated statement of cash flows

(in € millions)

Year ended at 31 December	2015	2014 represented
Cash generated from operations	392	359
Interest paid	(73)	(86)
Income taxes received/(paid)	(105)	(71)
Net cash (used in)/from operating activities	**214**	202
Net cash used for capital investments and disposals	(82)	(70)
Net cash from acquisitions and disposals	(5)	
Net cash from other investing activities	8	9
Net cash (used in)/from investing activities	**(79)**	(61)
Net cash from debt financing activities	(365)	(7)
Net cash for dividend and other equity changes	0	0
Net cash used in financing activities	**(365)**	(7)
Changes in cash and cash equivalents	**(230)**	134

Net cash from operating activities

Net cash from operating activities improved by €12 million to €214 million in 2015. The increase was due to the improvement in cash generated from operations of €33 million and lower interest paid of €13 million, partly offset by higher taxes paid of €34 million.

The increase in cash generated from operations of €33 million is mainly explained by the increase in underlying cash operating income (€16 million) and improved working capital (€61 million), partly offset by the payment of the unconditional funding obligation in 2015 (-€32 million), a lower reversal of non-cash items (-€7 million), like lower depreciation and amortisation costs in 2015, and higher rebranding, project and restructuring costs (-€4 million).

Interest paid was €73 million in 2015. The decrease of €13 million compared to 2014 is largely explained by lower interest paid on taxes.

In 2015, income taxes paid were €105 million compared to €71 million in 2014. The income taxes paid relate almost completely to income taxes paid in the Netherlands and include payments related to prior years.

Net cash used in investing activities

In 2015, net cash used in investing activities amounted to -€79 million (2014: -61). The increase of €18 million compared to 2014 mainly resulted from an increase in net cash used for capital investments and disposals (€12 million).

Capital expenditures /proceeds

(in € millions)

Year ended at 31 December	2015	2014 represented
Expenditure on property, plant and equipment	(55)	(57)
Expenditure on other intangible assets	(36)	(26)
Proceeds from sale of property, plant and equipment	9	13
Net cash used for capital investments and disposals	**(82)**	(70)

The increase of €12 million compared to 2014 was mainly due to higher investments in our IT infrastructure. In 2015, Mail in the Netherlands invested €22 million in new Sorting Machines eXtra (SMX) enabling a more efficient sorting process. Investments in the new sorting and delivery centres within Parcels amounted to €13 million in 2015 (2014: 21).

Net cash from acquisitions and disposals of €5 million related to the acquisition of DM Productions within Parcels. Net cash from other investing activities of €8 million (2014: 9) related to interest received of €4 million (2014: 2) and dividend received of €3 million (2014: 7), mainly from the stake in TNT Express.

Net cash used in financing activities

In 2015, net cash from debt financing activities of -€365 million (2014: -7) mainly related to the repayment of a eurobond of €349 million.

Dividend

Dividend proposal 2015

According to our dividend policy, conditions for paying out a dividend are positive consolidated equity and certainty of a BBB+/Baa1 credit rating. Both conditions were not met in 2015. Accordingly, there will be no dividend proposal. In addition, negative distributable corporate equity of -€1 million at 31 December 2015 would have restricted the payout of dividend.

PostNL is committed to improving the company's financial position in order to resume paying dividend as early as possible, but this is dependent on improving interest rates and/or the expected sale of the stake in TNT Express. We refer to the chapter PostNL on the capital markets for a description of our dividend policy.

Dividend paid in 2015

In 2015, no (interim) dividend was paid.

Extract from the articles of association on appropriation of profit

Under PostNL's articles of association, the dividend specified in article 31, paragraph 1 will first be paid on the preference shares B if outstanding. Subject to the approval of PostNL's Supervisory Board, the Board of Management will determine thereafter which part of the profit remaining after payment of dividend on any preference shares B will be appropriated to the reserves (articles 31, paragraph 2). The remaining profit after the appropriation to reserves shall be at the disposal of the Annual General Meeting of Shareholders (articles 31, paragraph 3). No dividend shall be paid on shares held by PostNL in its own capital (article 31, paragraph 6). Preference shares B were not issued in 2015.

Appropriation of profit

The Board of Management, with the approval of the Supervisory Board, has appropriated the full profit of €7 million to the reserves. For detailed information on PostNL's corporate performance, and the resulting loss, refer to section 6 of the financial statements.

Following this appropriation, there remains no amount at the disposal of the Annual General Meeting of Shareholders. Subject to the adoption of PostNL's financial statements by the Annual General Meeting of Shareholders, no 2015 dividend is proposed.

Upon approval of this proposal, corporate loss will be appropriated as follows.

Appropriation of corporate profit

(in € millions)

	2015
Profit attributable to the shareholders	7
Appropriation in accordance with the articles of association:	
Reserves adopted by the Board of Management and approved by the Supervisory Board (article 31, paragraph 2)	(7)
Dividend on ordinary shares	0
(Interim) dividend paid in cash	0
Final dividend	**0**

Group companies of PostNL N.V.

The list containing the information referred to in article 379 and article 414 of book 2 of the Dutch Civil Code is filed at the office of the Chamber of Commerce in The Hague.

Subsequent events

There were no subsequent events to report.

Outlook 2016

For 2016 we aim to deliver underlying cash operating income of between €220 million - €260 million. We are well-positioned to further benefit from the growing e-commerce market, given our focus on innovative and market-driven solutions. For Parcels this means that we expect continued growth and to build upon our solid market position. The same applies to our cross border activities, where we expect to leverage on the growing international parcel volumes. In International we will focus on improving our cash profitability. Our main focus in Mail in the Netherlands will be on retaining volumes and the successful implementation of our restructuring plans. We expect the regulatory environment to remain challenging during the year. We are confident to further improve our cash and equity performance supporting our commitment to restore dividend as early as possible.

The table below shows our outlook for 2016 on revenue and underlying cash operating income (margin). The figures exclude the contribution from our operations in Germany pending the strategic review.

(in € millions)	Underlying operating revenue		Underlying cash operating income (margin)		
	2015	outlook 2016	2015		outlook 2016
Mail in NL	1,961	- mid single digit	204	*(10.4%)*	8% to 10%
Parcels	917	+ high single digit	101	*(11.0%)*	9% to 11%
International (excl. Germany)	493	+ high single digit	26	*(5.3%)*	4% to 6%
PostNL Other / eliminations	(394)		(21)		
Total (excl. Germany)	2,977	**+low single digit**	310		**220 to 260**

The outlook for 2016 reflects the effects from the regulatory measures and the adjusted market approach (together around €35 million), the implementation of the sustainable delivery model (€10 million) and expected higer restructuring cash out and implementation costs ahead of cost savings (€10 million).

Other financial indicators for 2016:

- Cost savings of around €50 million - €70 million (2015: 85)
- Implementation costs of around €30 million - €40 million (2015: 28)
- Regular employer pension expenses of around €120 million of which around €110 million of operating expenses and around €10 million of financial expenses (2015: underlying 150 of which 137 of operating expenses and 13 of financial expenses)
- Regular employer pension contributions of around €140 million (2015: 147)
- Net financial expenses of around €70 million (2015: 78)
- Cash outflow from provisions of around €40 million - €50 million (2015: 48), of which around €35 million - €45 million related to cost savings (2015: 38)
- Cash capital expenditures of around €100 million (2015: 91)

Other non-financial targets for 2016:

- Customer satisfaction above the level of 2015 (2015: 86%)
- Delivery quality above minimum required level of 95% (2015: 96.4%)
- Employee engagement above the level of 2015 (2015: 64%)
- CO_2 efficiency index below the level of 2015 (2015: 51.4)

Governance

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8 Statement of the Board of Management

Dutch corporate governance code

PostNL applies the principles and best practices of the Dutch Corporate Governance Code, as referred to in article 391, paragraph 5, book 2 of the Dutch Civil Code (the Code), except for the best practice provisions below that are not fully complied with. Below, PostNL explains why it does not comply with these best practice provisions. Material future corporate or other developments might justify further deviations from the Code at the moment of occurrence. Each substantial change in the corporate governance structure of the company and in the compliance of the company with the Code shall be discussed with the General Meeting of Shareholders.

- Provision II.2.8 of the Code states that remuneration in the event of dismissal of members of the Board of Management may not exceed one year's salary (the 'fixed' remuneration component). In the event that one year's salary would be manifestly unreasonable, the severance pay may not exceed twice the annual salary.

Severance payments in case of a change of control of the current members of the Board of Management of PostNL equal the sum of the last annual base salary and pension contribution plus the average variable remuneration received over the last three years, multiplied by two.

Employment contracts entered into after 2004 must be brought into line with provision II.2.8 of the Code. Ms. Verhagen and Mr. Bos were employed by PostNL before 2011. PostNL is of the opinion that the agreed severance payment in case of a change of control is realistic, taking into account the special position of members of the Board of Management in a change of control situation. Also, the Supervisory Board may decide that the performance shares vest in whole or in part.

- Provision II.2.13(f) of the Code states that the remuneration overview in the remuneration report of the Supervisory Board shall in any event contain a description of the performance criteria on which the performance-related component of the variable remuneration is dependent, insofar that disclosure would not be undesirable because the information is competition-sensitive.

PostNL discloses quantified financial and non-financial targets in general terms. The actual targets are specific and thus contain competition-sensitive information. They are therefore not disclosed in advance, but will be reported on afterwards. See our "Remuneration report" chapter.

The full text of the Code is available on our website (www.postnl.nl).

Board of Management responsibility statement under Dutch Corporate Governance Code

The Code requires the Board of Management to provide a description of the main strategic, operational, legal, regulatory, financial, and financial reporting risks.

The Board of Management confirms that it is responsible for PostNL's risk management, internal control, integrity and compliance systems and has reviewed the design and the operational effectiveness of these systems for the year ended 31 December 2015. The outcome of this review and analysis has been shared with the Audit Committee and the Supervisory Board and has been discussed with PostNL's external auditor.

Based on the outcome of the PostNL-specific approach to risk management, internal control, integrity and compliance as outlined above, the Board of Management believes to the best of its knowledge that PostNL's internal control over financial reporting worked effectively over the year ended 31 December 2015 and provides reasonable assurance that the financial reporting is free from material inaccuracies or misstatements.

The above, however, does not imply that PostNL can provide certainty as to the realisation of strategic business and financial objectives. Nor can PostNL's approach to internal control over financial reporting be expected to prevent or detect all misstatements, errors, fraud or violation of laws or regulations.

In view of the above and based on the outline of the main risks and risk responses described in our chapter "Risk management", the Board of Management believes it is in compliance with best practice provisions II.1.4 and II.1.5 of the Code.

Board of Management responsibility statement under Dutch Financial Markets Supervision Act (*Wet op het financieel toezicht*)

With reference to section 5.25c paragraph 2 under c of the Dutch Financial Markets Supervision Act, the Board of Management confirms to the best of its knowledge that:

- The annual financial statements for the year ended 31 December 2015 give a true and fair view of the assets, liabilities, financial position and profit or loss of PostNL and its consolidated companies
- The additional management information disclosed in the annual report gives a true and fair view of PostNL and its consolidated companies as at 31 December 2015, the state of affairs during the financial year to which the report relates, together with a description of the main risks facing PostNL.

The members of the Supervisory Board and the Board of Management have signed the financial statements pursuant to their statutory obligation under article 2:101(2) of the Dutch Civil Code.

The Hague, 29 February 2016

Herrna Verhagen, CEO
Jan Bos, CFO

9 Report of the Supervisory Board

Interview with Piet Klaver, chairman of the Supervisory Board of PostNL N.V.

Mr. Klaver, how do you look back on 2015?

2015 was the last year for which PostNL forecasted results at the time of the demerger between PostNL and TNT Express. 2015 was an important year for our continued transformation process towards an efficient, flexible, customer oriented, and financially healthy company, thereby realising the goals which we defined in 2011. This enables PostNL to further prepare for the expected ongoing volume decline in mail, and volume growth in parcels. By building on its core competences over the past few years, PostNL is ready for the continuously changing markets in which it operates. At the same time, we have strengthened our quality, customer satisfaction, and employee engagement, creating an attractive place to work for our people and a company that is committed to making the lives of our customers easier. 2015 was also the year in which PostNL announced its strategy going forward.

In 2015, mail volume decline was again significant, although in line with our expectations, requiring us to adjust our operations. The regulator, ACM, approved management's cost allocation method and allowed further price increases in 2016, which are also required to safeguard a reliable and accessible postal network in the Netherlands. Additionally, healthy competition is a condition to safeguard reliability and accessibility of postal delivery. In view thereof, PostNL expressed its concern about the expected adverse effects of recent ACM measures limiting PostNL's competitive position. Management is in ongoing discussions with ACM on this and other regulatory topics. Competition in general was a topic that we discussed regularly with the Supervisory Board; not only in the Dutch mail market, but also in the other countries in which we operate, and in parcels. We expect these topics to remain important factors impacting our business in 2016 and onwards.

In 2015 we again saw healthy growth in our parcel volumes, mainly as a result of e-commerce growth, and parcel revenues, as well as further improvement of the operational efficiencies in our Parcels business. PostNL continued to launch innovative and market driven solutions enabling the Parcels business to further secure its solid market position and create value for its customers. During the summer, PostNL faced disruption to its parcel deliveries, due to actions taken by some of its independent parcel deliverers. Fortunately, the disruption was short-lived. These actions were around the time of its sustainable delivery model proposal, which offered independent parcel deliverers the chance to opt for a PostNL employee contract, or remain self-employed at higher rates. The sustainable delivery model impacted our 2015 results and is expected to continue doing so in 2016.

Our International operations showed revenue growth, although the results were impacted by the competitive environment. We concluded the management buy-out of our operations in the United Kingdom, Whistl, and announced that we will continue to invest in the development of our Nexive operations in Italy. In Germany, we saw improved performance due to initiatives to attract volume, cost savings, and reorganisation, which focused on centralisation of our overheads.

In 2015, we also welcomed the offer from FedEx on the TNT Express shares.

Management and the labour unions agreed on the new Social Plan, finding a healthy balance between improvements for our employees and the requirement to control costs, contributing to a healthy and sound future for PostNL.

Could you elaborate on some of the discussions the Supervisory Board had in 2015?

During each meeting we schedule time to discuss the latest business developments and topics that require specific attention. More details on the exact topics discussed can be found later in this report under "Topics discussed".

Furthermore, the Board of Management encourages the business to present projects they are working on to the Supervisory Board. As examples, we discussed the Track & Trace proposition for mail, food delivery, and MyMail, PostNL's IT strategy, growth projects, and the plans of the Logistic Solutions unit within Parcels.

Other subjects discussed were PostNL's strategy and budget, the preparation of the Strategy Update, the company's cash generation and equity position, the remaining stake in TNT Express, including the FedEx offer, dividend, risk management and internal control, the social plan negotiations, management development and succession planning. These latter two are recurring and very important topics, which we do not exclusively discuss in the Nomination committee, but with the full board.

How would you describe the atmosphere in the meetings of the Supervisory Board?

We have good and fruitful discussions among the members of the Supervisory Board and with the Board of Management. Discussions are open and all attendees express their views and opinions, including our guests. Furthermore, the Board of Management encourages presentations from and discussions with those who are directly responsible for the topics that we discuss. This gives us the chance to share their enthusiasm and hear any concerns they may have directly. This contributes to a better understanding of the business.

As a rule, we schedule at least two of our meetings at a business location. Such visits always include a tour around the premises by the local employees, which allows us to see how the reorganisations and innovations actually work out, and it gives us the opportunity to speak with people at the workplace. The Supervisory Board very much appreciates these sessions.

In last year's annual report, you indicated that the Supervisory Board would like to organise informal dinners and have more blue-sky discussions with a more open agenda. How did this work out?
Indeed, we wanted to schedule time for more informal, blue-sky discussions alongside our regular meetings, which always have full formal agendas. In 2015, we organised two dinners where we discussed various topics, such as cyber security and options to capture growth. In my view - and that of the rest of the Supervisory Board - these sessions were a success and will be continued.

Furthermore, individual Supervisory Board members set up meetings related to their membership of specific committees or specific mandates. For example, Thessa Menssen, in her capacity as chairman of the Audit Committee, regularly meets with the director of Audit & Security and the external auditor. Agnes Jongerius and Jacques Wallage, who have been appointed through the enhanced recommendation right of the Central Works Council, and various other members of the Supervisory Board, attended meetings of the Central Works Council. Additionally, as part of management development and succession planning, members of the Nomination committee met members of senior management.

Various stakeholders have requested continued attention for integrated reporting and more transparency on tax policy and associated risks. What is the view of the PostNL Supervisory Board on these issues?
The trend towards integrated reporting and more tax transparency is mainly being discussed in our Audit Committee. In our 2014 annual report we already took some steps towards more integrated reporting. In the current annual report, we have taken this further, and will continue to make more progress in the coming years. In this annual report, we have also included more information on our tax policy. This underscores PostNL's commitment towards more transparency.

The VEB published its view on the Audit Committee, including various recommendations about the role and responsibility of the Audit Committee. Has this resulted in changes in the way PostNL's Audit Committee operates?
Actually, PostNL already meets the recommendations published by the VEB. For example, when it comes to the role of the Audit Committee, the VEB recommends that it plays a leading role in the nomination and evaluation of the external auditor; that it has the possibility to take the lead in the event of irregularities (including any suspicion of fraud); that it initiates its own investigations; and that any material amendments in the draft management letter, whether or not these changes have been included at the instigation of the management board, should be available for the Audit Committee for inspection. As you know, and as we explained during the last AGM, the Audit Committee played a leading role in the nomination of EY as our new external auditor. Additionally, the chairman of our Audit Committee has been fully involved in the investigation in the alleged irregularities in real estate transactions that *het Financieele Dagblad* reported on earlier in 2015. This investigation was performed with the assistance of external advisors, which was not our external audit firm. Furthermore, the Audit Committee, management, and the external and internal auditor discuss material changes, if any, in the draft management letter.

Also, the chairman of the Audit Committee reports independently to the AGM, and it monitors the risk control systems together with the internal audit department as used by the management board. Additionally, the Audit Committee approves the audit plan of the internal audit department annually, as well as of the external auditor, as a result of which it has influence on the audit work. Finally, Thessa Menssen, chairman of our Audit Committee, is CFO of listed company BAM and has, therefore, ample experience with the financial aspects of a listed company.

What do you consider the biggest challenge for 2016?
As I said last year, I tend to see a variety of challenges when I look ahead. I realise that we have asked a great deal of commitment, trust, and patience from our stakeholders, including when we announced the outlook for 2016 and our ambition for 2020. PostNL will again face challenges in 2016, as we continue to find the best ways to manage the downsizing of the mail operation while adjusting our operations to regulatory changes; to manage the (impact of the) regulatory measures of ACM; to further strengthen the growth of the Parcels business and improving the profitability of our International activities. By doing so, we will be able to further improve PostNL's financial health, restoring dividends as soon as possible, while investing in growth and creating long-term shareholder value.

After the AGM in April 2016 I will step down as chairman and member of the Supervisory Board of PostNL. I would like to use this opportunity to thank everybody at PostNL - the employees, business partners, and the Board of Management - for their commitment and contributions to the performance of PostNL in 2015 and in all the years that I have been involved with the company, and its predecessors. Of course, this also applies to my fellow members of the Supervisory Board. Without their efforts, I would not have been able to look back at an eventful, challenging, and very interesting period, in which I came to know PostNL as a very resilient and resourceful company that has been able to transform itself into an efficient, flexible, customer oriented, and financially healthy company. A company that is ready for the continuously changing markets in which it operates. And, most importantly, a company that continues to optimise the working and business environment in such a way that our people and our business partners continue to feel motivated and energised.

I am confident that PostNL, the Board of Management and the Supervisory Board will be able to deliver on its promises as it has done in the past.

Meetings of the Supervisory Board

Number of meetings and attendance rate

The Supervisory Board met nine times in 2015, and had two conference calls. All meetings were also attended by the full Board of Management. Almost all meetings were attended by the Supervisory Board. The attendance percentages can be found in the table below. Seven meetings were held at PostNL's head office in The Hague; one meeting was held at the premises of Customer Contact Centre in Breda and one at the sorting centre in Amsterdam.

Attendance

	Attendance percentage
Supervisory Board (meetings only)	94%
Supervisory Board (incl. conference calls)	91%
Audit Committee	95%
Remuneration Committee	100%
Nomination Committee	96%

Topics discussed

At every meeting, the Supervisory Board discusses business, financial, market, and regulatory developments in PostNL's business segments. In 2015, mail volume decline, the execution of the restructuring plans, the sustainable delivery model, discussions with the independent parcel deliverers, and the strategic review of our International operations were recurring topics, as were the financial position of PostNL, IT developments and PostNL's IT strategy, the remaining stake in TNT Express, including the FedEx offer, the investigation into alleged irregularities in real estate transactions, the work environment for PostNL's employees and business partners and the preparation of our Strategy Update. Furthermore, the Supervisory Board discussed dividend, the financial and non-financial impact of the management buy out of Whistl, growth initiatives, IT related topics, such as cyber security and big data, the progress of the Logistic Solutions unit within Parcels and the preparation of the AGM.

The adjustment of PostNL's organisation to the declining mail volumes and increasing parcel volumes was and remains an important topic in strategic discussions. The same goes for the impact of regulatory developments on our organisation and performance, such as the amendment of the Dutch Postal Act (modernisation of the USO) and the Dutch Postal Regulation (tariff mechanism, cost allocation and changing requirements in postal offices and street letter boxes) and significant market power, as well as competition in each of our segments (Mail in the Netherlands, Parcels and International). The Supervisory Board also discussed new products and services and innovation and potential areas for growth in the Netherlands and in the countries where PostNL operates.

The Supervisory Board performs an oversight role with respect to corporate responsibility issues, supported by PostNL's Internal Audit department, which monitors the CR governance structure and reporting. Further to this responsibility, the Supervisory Board discussed various corporate responsibility-related issues, including labour conditions and the social plan negotiations, pensions, career and management development, the reputation of PostNL, customer satisfaction, employee motivation, diversity and inclusion, the rating of PostNL in the Dow Jones Sustainability Index and the relations between the Supervisory Board and the Board of Management with the works councils and trade unions.

As usual, the Supervisory Board discussed the 2014 annual results, the 2015 quarterly and half-yearly results and the 2016 budget. Also, the 2014 auditors' report by PostNL's external auditor PwC, the 2014 annual report (including financial statements), the corporate responsibility report and the 2015 management letter of the external auditor were discussed. In its management letter, PwC reported that in 2015 PostNL spent a considerable amount of time and energy on strategic IT projects, aimed at further developing growth and the organisation of the future. It noted that PostNL paid particular attention to cloud migration, and that the company has a leading position compared to similar organisations. PwC also recognised management's increased attention for the IT control environment, the implementation of management self-assessments, and the follow-up of deficiencies and impact assessments. On the other hand, PwC concluded that staff reduction following the cost saving plans impacted the company's execution power to remediate control deficiencies around IT. The same was noted about the Postcon organisation, following the roll-out of the reorganisation in Germany. PwC stated that additional procedures that must be performed by (local) management, Internal Audit and PwC to mitigate open deficiencies requires management attention.

Finally, PwC supports PostNL's roadmap towards further implementing integrated reporting and its enhancement of the company's compelling story, starting from a stakeholder perspective and focusing on connectivity.

Each business segment presented its strategic plan and the Board of Management presented the strategic plan for PostNL as a whole, including financial objectives, outlook and the main risks for PostNL. Also, the preparation for the Strategy Update, presented on 3 November 2015, was regularly discussed with the Audit Committee and the Supervisory Board. The outcome of the risk management process, the main risks identified, and the mitigation plans in place to manage these risks were shared with the Audit Committee and with the Supervisory Board. A description of PostNL's major risks and its risk management can be found in the Risk management chapter.

Twice a year, the Supervisory Board discusses a litigation overview, describing claims against PostNL and litigation concerning PostNL (with a threshold of €250,000). The Supervisory Board also receives an update on integrity (including the fraud & whistle-blower report) twice a year.

Following its assessment (discussed below in 'Evaluation of the Supervisory Board') the Supervisory Board discussed its composition and that of its committees and the profile of the Supervisory Board. Upon suggestion of the Nomination Committee, the Supervisory Board decided to amend the Supervisory Board profile slightly.

More details about the Supervisory Board can be found in the chapter Corporate Governance and is as such part of this Report of the Supervisory Board.

Meetings of the committees of the Supervisory Board

Audit Committee

The Audit Committee met five times in 2015. In general, all meetings are attended by the CFO, director audit & security, director accounting & reporting, and the external auditor, PwC. EY, the external auditor as of 2016, attended the December meeting as observer. The CEO attends the Audit Committee meetings when the half-year and full-year results are being discussed. The Audit Committee and its chairman also meet the external auditor without management.

At each meeting, the Audit Committee discusses the results of and developments in PostNL's business segments. In 2015, the Audit Committee discussed PostNL's full-year 2014 results, the 2015 first quarter, half-year and third quarter results, the related press releases and the 2016 budget. Also, the Audit Committee discussed the Eumedion focus letter and VEB's recommendations in preparation of the 2015 annual report and the changes to be implemented in PostNL's 2015 annual report.

The main financial factors influencing the strategic plan and PostNL's financial performance, including volume development, pricing, cost savings, competition, the sustainable delivery model in Parcels, economic developments, pensions, employee conditions, and regulatory issues were discussed. The Audit Committee also discussed dividend, the development of the interest rates, PostNL's pension obligations, the remaining stake in TNT Express (including the FedEx offer), the expected financial impact of significant market power, and the preparation of the Strategy Update, presented on 3 November 2015.

The Audit Committee discussed reports on internal control and risk management (reports which are, if necessary, also discussed in the Supervisory Board). Reports from the internal audit function and the external auditor, including the internal audit and PwC's audit plan, management letter and board report, were discussed regularly. The Audit Committee receives and discusses half-yearly updates on integrity issues (including the fraud & whistle-blower report), claims and litigation, and any actions taken by management, if applicable. The external audit fees were discussed and approved. Contemplated changes in the laws and regulations governing financial reporting, the transition process towards the new external auditor, the IAS 19 discount rate, financing of PostNL, Postcon, IT controls, and the investigation into alleged irregularities in real estate transactions were discussed. Fortunately, the conclusion of the investigation was that no fraud could be established.

Nomination Committee

The Nomination Committee met six times in 2015. Supervisory Board and Management Board reappointments were discussed, as were the composition of the Supervisory Board committees. The Nomination committee discussed succession planning in respect of the Supervisory Board and the Board of Management and diversity. Also, the composition of the Supervisory Board following the step down of Piet Klaver after the Annual General Meeting of Shareholders in 2016, the Supervisory Board profile and the selection (process) of the new chairperson and new Supervisory Board member were discussed.

Public Affairs Committee

In 2015, the Supervisory Board decided that the topics that used to be discussed in the Public Affairs Committee should be moved to the agenda of the Supervisory Board and to dissolve the committee. The Public Affairs committee met for the last time on 20 February 2015.

Remuneration Committee

In 2015, the Remuneration Committee held four meetings. It discussed the remuneration of the Board of Management and senior management, the remuneration policy, and peer group selection. Further details on remuneration for the Board of Management and the Supervisory Board can be found in the chapter Remuneration report, which includes a further explanation of the remuneration policy and actual remuneration and the relationship between remuneration and performance of members of the Board of Management for 2015.

Evaluation of the Supervisory Board

The Supervisory Board is responsible for the quality of its own performance. As such, the Supervisory Board discusses its functioning and that of its committees and members annually. The regular process of evaluation consists of a review by questionnaire (profile, rotation plan, dynamics, accountability, effectiveness of the Supervisory Board as a whole and of its committees) combined with a plenary discussion in the December meeting.

Overall, the Supervisory Board is pleased with its functioning and that of its committees. It is positive about the professionalism and quality of the management reports and the information provided by the Board of Management. The Supervisory Board welcomed the informal dinners that were scheduled twice in 2015 to have more blue-sky discussions, with a more open agenda. In 2016, the set up of these dinners will be further optimised. Also, during the year, the Supervisory Board looked into the grouping and composition of its committees to improve the committees' efficiency and effectiveness. All members of the Supervisory Board have demonstrated that they have enough time to fulfil their duties as members of the Supervisory Board in an adequate manner.

10 Corporate governance

PostNL N.V. is a limited liability company listed on Euronext Amsterdam and governed by Dutch corporate law. PostNL has two-tier governance with a board of management entrusted with executive management under the supervision of an independent supervisory board. Each board is accountable to the general meeting of shareholders for the performance of its duties. PostNL is a so-called large company (*structuurvennootschap*). The large company regime provides for a legal framework, which determines the corporate management structure as well as the powers and duties of the board.

Board of Management

The Board of Management and its duties

The Board of Management manages PostNL. It is collectively responsible for setting and implementing our mission, vision and strategy, for the management of the company as a whole and for all decisions taken in this respect. The Board of Management performs its activities under the supervision of the Supervisory Board.

The Board of Management acts in accordance with the interests of the company. To that end, it considers all relevant interests associated with the company and is committed to managing the company transparently.

The Board of Management is responsible for the company's objectives and strategy, the risk profile laid down in the strategy, the company's financing, the corporate responsibility policy, external communication and compliance with all relevant legislation. It is required to inform the Supervisory Board of significant developments and discusses the internal risk management and control systems with the Supervisory Board and its Audit Committee.

Members of the Board of Management are appointed and can be suspended or dismissed by the Supervisory Board. A decision by the Supervisory Board to dismiss a member of the Board of Management can only be taken after the General Meeting of Shareholders has been consulted on the intended dismissal. Further details on the appointment and dismissal of members of the Board of Management can be found in our articles of association.

The Executive Committee advises and supports the Board of Management. The Executive Committee consists of the members of the Board of Management and the directors of the PostNL segments (Mail in the Netherlands, Parcels and International), Group HR and Group IT.

The responsibility for day-to-day management of the PostNL segments is decentralised within established standards, processes, requirements and guidelines. The directors of PostNL's segments are primarily responsible for developing and executing the business strategy and operational performance of each of their respective segments within the framework set by PostNL's corporate strategy.

Specific staff departments – internal audit, legal, tax, procurement, real estate & facilities, human resources, investor relations & treasury, communication and accounting & reporting – support the Board of Management and the segments in the performance of their duties and ensure compliance with applicable laws and regulations.

The by-laws of the Board of Management can be found on our website: http://www.postnl.nl/en/about-postnl/about-us/management/board-of-management/.

The Board of Management incorporated the following bodies to ensure compliance with applicable corporate governance requirements: a Disclosure committee, an Integrity committee and a corporate responsibility council (CR council). More information on corporate responsibility can be found in the CR performance statements.

The Disclosure Committee advises and assists the Board of Management in ensuring PostNL's disclosures are accurate and complete. It also ensures that, where available and appropriate, they are supported by accurate and reasonable detailed records and are published in accordance with relevant laws and regulations. The terms of reference of the Disclosure Committee can be found on our corporate website.

The Integrity Committee advises and assists the Board of Management in developing, implementing and monitoring Group policies aimed at enhancing integrity and ethical behaviour and at preventing fraud. The Integrity Committee oversees investigations based on reports of possible breaches under our Business Principles and related policies.

The CR council advises and assists the Board of Management in developing and deploying the CR strategy and integrating it into daily operations and it provides guidance on CR issues, risks and opportunities. Additionally, the CR Council advises the Board of Management on the company's CR targets and oversees the implementation and execution thereof in the daily operations. The CR council meets regularly and reports directly to the Board of Management and the Executive Committee. Both business and staff are represented in the CR Council. The CR council is chaired by Mr. A.G. Rodenboog, member of the Executive Committee.

Composition Board of Management and Executive Committee

In 2015, the Board of Management consisted of two members: chairman and chief executive officer (CEO) Ms. H.W.P.M.A. Verhagen and chief financial officer (CFO) Mr. J.P.P. Bos.

In 2015, the Executive Committee consisted of eight members:

- Ms. H.W.P.M.A. Verhagen (CEO and chairman)
- Mr. J.P.P. Bos (CFO)
- Mr. P. Berendsen, responsible for International and M&A
- Mr. A.C. van Bijnen, responsible for Marketing & Sales Mail in the Netherlands
- Mr. M.J.M. Krom, responsible for Group IT
- Mr. G. Mastenbroek, responsible for Parcels
- Mr. R.P.J.M. Muys, responsible for Group HR
- Mr. A.G. Rodenboog, responsible for Operations Mail in the Netherlands.

Biographies Board of Management

H.W.P.M.A. (Herna) Verhagen (1966, Dutch)
Chief Executive Officer

Ms. Verhagen became chief executive officer on 24 April 2012. She was appointed member of the Board of Management per 31 May 2011 and reappointed per 14 April 2015 for a period of four years. Ms. Verhagen joined TNT Post in 1993 as a sales manager. Following roles as marketing & sales director TNT Post and coordinating managing director Mail NL in the Mail division of TNT N.V., she was appointed managing director Group HR of TNT N.V. in 2007. Ms. Verhagen's portfolio includes corporate strategy, public affairs, communication, corporate responsibility, human resources and internal audit. Furthermore, she is responsible for Mail in the Netherlands, Parcels, International and Group IT.

Ms. Verhagen is a member of the supervisory boards of Rexel S.A. (France) and Actelion Ltd. (Switzerland). She is a member of the executive committee and general board of the Confederation of Netherlands Industry and Employers (VNO-NCW).

Ms. Verhagen holds no position as a member of a supervisory board of a legal entity as referred to in article 2:132a of the Netherlands Civil Code. This article is described as "number of supervisory positions" in Appendix 5: Glossary and definitions.

J.P.P. (Jan) Bos (1965, Dutch)
Chief Financial Officer

Mr. Bos was appointed chief financial officer and member of the Board of Management per 31 May 2011 and reappointed per 14 April 2015 for a period of four years. Mr. Bos joined the Mail division of TNT N.V. in 1997 as controller of its international business segment. He became director finance & control of the Mail division in 2007. Mr. Bos is responsible for legal, procurement, real estate & facilities, control, investor relations & treasury, tax and accounting & reporting.

Mr. Bos is a member of the association for registered controllers of the VU University Amsterdam and of the supervisory authority of the University Medical Centre Groningen.

Mr. Bos holds no positions as referred to in article 2:132a of the Netherlands Civil Code. This article is described as "number of supervisory positions" in Appendix 5: Glossary and definitions.

Supervisory Board

The Supervisory Board and its duties

The Supervisory Board is charged with supervising the Board of Management and the general course of affairs of PostNL, as well as assisting the Board of Management with advice. The Supervisory Board evaluates the main organisational structure and the control mechanisms established by the Board of Management, as well as the general and financial risks and the internal risk management and control systems.

In performing its duties, the Supervisory Board acts in accordance with the interests of PostNL and takes into account the relevant interests of the company's stakeholders. The responsibility for proper performance of its duties is vested in the Supervisory Board as a whole. Members of the Supervisory Board perform their duties without mandate and independent of any particular interest in the company's business. Members of the Supervisory Board may take views that differ from those of the Board of Management. PostNL's Supervisory Board is responsible for the quality of its own performance, which is reviewed annually.

The Supervisory Board performs an oversight role with respect to corporate responsibility issues supported by PostNL's internal audit function and the company's external auditors who monitor the CR governance structure and reporting.

The Board of Management provides the Supervisory Board with the information necessary for the proper performance of its duties in a timely manner. In addition, the Board of Management is required to provide the means to allow the Supervisory Board and its individual members to obtain all information necessary to be able to function as the supervisory body of PostNL. The Board of Management seeks full transparency in its communication with the Supervisory Board.

The by-laws of the Supervisory Board can be found on our website:
http://www.postnl.nl/en/about-postnl/about-us/management/supervisory-board/.

Composition of the Supervisory Board

The composition of the Supervisory Board did not change in 2015. The Supervisory Board consisted of seven members: the chairman of the Supervisory Board Mr P.C. Klaver (also chairman of the Nomination Committee), Mr J. Wallage (vice-chairman of the Supervisory Board and chairman of the Remuneration Committee), Ms T. Menssen (chairman of the Audit Committee), Ms A.M. Jongerius, Mr M.A.M. Boersma, Mr J.W.M. Engel and Mr F.H. Rövekamp.

At the Annual General Meeting of Shareholders held on 14 April 2015, Ms. Menssen and Mr. Boersma were reappointed for a period of four years.

Composition of the Supervisory Board committees per 29 February 2016.

Committee	Audit	Remuneration	Nomination
Chair	Thessa Menssen	Jacques Wallage	Piet Klaver
Member	Michiel Boersma	Michiel Boersma	Michiel Boersma
Member	Marc Engel	Marc Engel	Agnes Jongerius
Member	Agnes Jongerius	Piet Klaver	Thessa Menssen
Member	Frank Rövekamp		Frank Rövekamp

At the Annual General Meeting of Shareholders in April 2016, Mr. Rövekamp will be available for reappointment as member of the Supervisory Board. Mr. Klaver will step down as member of the Supervisory Board.

Members of the Supervisory Board are appointed by the General Meeting of Shareholders following nomination by the Supervisory Board. The General Meeting of Shareholders can dismiss the Supervisory Board in its entirety by an absolute majority of the votes cast representing at least one-third of the issued share capital. According to the by-laws and the profile of the Supervisory Board, a person may be appointed to the Supervisory Board for a maximum of three terms of four years. PostNL's articles of association provide that members of the Supervisory Board shall resign periodically in accordance with a rotation plan drawn up by the Supervisory Board in order to limit the number of simultaneous appointments or reappointments. The rotation plan is available on our website: http://www.postnl.nl/en/about-postnl/about-us/management/supervisory-board/. Further details on the appointment and dismissal of members of the Supervisory Board can be found in our articles of association.

Pursuant to our articles of association, the Supervisory Board has at least three members. Taking this requirement into account, the Supervisory Board decides on the number of its members. At the date of this report, the Supervisory Board consists of seven members. The Supervisory Board prepared a profile of its size and composition, taking into account the nature of PostNL's business and activities and the desired expertise, competences, diversity and background of the members of the Supervisory Board. The Supervisory Board ensures that its composition meets the required profile and is as independent and diverse as possible, assuring sufficient knowledge of mail and communication, logistics, corporate responsibility, management, public affairs, IT, finance, corporate governance and the capital markets. A Supervisory Board member must be capable of assessing the broad outline of the company's overall policy and should have the specific expertise required to fulfil the duties assigned to his or her designated role within the framework of the profile. Each member should have sufficient time available for the proper performance of his or her duties.

The Supervisory Board evaluates the profile regularly and discusses the profile at the Annual General Meeting of Shareholders and with PostNL's central works council when it amends the profile. The profile of the Supervisory Board is available on our website: http://www.postnl.nl/en/about-postnl/about-us/management/supervisory-board/.

Chairman

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. In addition, the chairman arranges an induction and training programme for new members of the Supervisory Board and initiates the evaluation of the performance of the members of the Supervisory Board and the Board of Management. The chairman of the Supervisory Board may not be a former member of PostNL's Board of Management.

Committees of the Supervisory Board

PostNL's Supervisory Board has an Audit Committee, a Nomination committee and a Remuneration committee. The committees have an advisory role based on a mandate from the Supervisory Board. Only the Supervisory Board has decision-making power. Each committee reports its findings and conclusions after each meeting to the full Supervisory Board. The committees operate pursuant to terms of reference set by the Supervisory Board according to the law and the Dutch Corporate Governance Code. The terms of reference of these committees are available on our website: http://www.postnl.nl/en/about-postnl/about-us/management/supervisory-board/.

Audit Committee

The Audit Committee assists the Supervisory Board on matters relating to the integrity of PostNL's financial and corporate responsibility reporting and reporting process, financing and finance-related strategies, system of internal control and financial reporting and system of risk management. The committee reviews the functioning of the external auditor and the internal audit department, PostNL's tax planning and compliance with relevant legislation and codes of conduct.

The Audit Committee consists of at least three members. All members of the Audit Committee are members of the Supervisory Board who are determined by the Supervisory Board to be independent within the meaning of its by-laws and the applicable corporate governance rules. A member of the Audit Committee shall not simultaneously serve on the audit committee of more than two other companies unless the Supervisory Board determines that this simultaneous service would not impair the ability of such a member to serve effectively on the Audit Committee.

Each member of the Audit Committee must be financially literate and at least one member of the Audit Committee shall be a financial expert, with relevant knowledge and expertise of financial administration and accounting for listed companies or other large companies.

Nomination Committee

The Nomination Committee assists the Supervisory Board on matters relating to the appointment procedures for members of the Supervisory Board and the Board of Management and procedures to secure adequate succession of members of the Board of Management and the assessment of such candidates, and with assessing the size and composition of the Supervisory Board and the Board of Management. The Nomination Committee prepares proposals for nominations, appointments and reappointments. At least once a year, the size and composition of the Supervisory Board and the Board of Management and the functioning of the individual members are assessed by the Nomination Committee and discussed by the Supervisory Board.

The Nomination Committee consists of at least three members, including the chairman (or vice-chairman) of the Supervisory Board, of which all but one need to be independent within the meaning of its by-laws and the applicable corporate governance rules. All members of the Nomination Committee are members of the Supervisory Board.

Remuneration Committee

The Remuneration Committee proposes the remuneration of the individual members of the Board of Management for adoption by the Supervisory Board on the basis of scenario analyses and taking into account the compensation rate within the company. It also proposes a remuneration policy - including schemes under which rights to shares are granted to members of the Board of Management - which is submitted for adoption to the General Meeting of Shareholders. In addition, the remuneration committee prepares the allocation by the Board of Management (after approval by the Supervisory Board) of rights to PostNL shares to senior management (other than members of the Board of Management).

The Remuneration Committee consists of at least three members of which all but one need to be independent within the meaning of its by-laws and the applicable corporate governance rules. The chairman of the Remuneration Committee shall not simultaneously be chairman of the Supervisory Board.

Information by external parties

The Supervisory Board and its committees may hire independent advisors as it deems appropriate. There is an agreed procedure for members of the Supervisory Board to obtain independent professional advice paid for by the company, if so required.

Biographies Supervisory Board

All members of the Supervisory Board are Dutch and independent in the sense of best practice provision III.2.2 of the Code. Their ages range from 48 to 70. The majority of the members possess a university or equivalent degree. Fields of expertise and experience range from administration/public administration and general management to experience in labour issues or a commercial background.

P.C. (Piet) Klaver (1945, Dutch) – Chairman Supervisory Board

Mr. Klaver was appointed member of the Supervisory Board on 11 April 2008 (of then TNT). He has been chairman of the Supervisory Board (of then TNT) since 1 January 2009 and was reappointed on 24 April 2012. His current term expires in 2016. Mr. Klaver is chairman of the supervisory boards of Dura Vermeer Groep and Blokker Holding. He is a member of the supervisory board of SHV Holdings (vice-chairman), and is a member of the board of African Parks Foundation.

Formerly, Mr. Klaver held various positions at SHV Holdings N.V., most recently as chairman of the executive board of directors.

Mr. Klaver holds six positions as referred to in article 2:142a of the Dutch Civil Code. This article is described as "number of supervisory positions" in Appendix 5: Glossary and definitions.

J. (Jacques) Wallage (1946, Dutch) – Vice chairman Supervisory Board

Mr. Wallage was appointed member of the Supervisory Board on 8 April 2010 and vice-chairman of the Supervisory Board in 2011. He was reappointed on 16 April 2014. His current term expires in 2018. Mr. Wallage is chairman of the Council for Public Administration and the advisory council of the Sociale Verzekeringsbank. He is a honorary professor at the University of Groningen, the Netherlands (transition in public administration).

He was a member of the Dutch Second Chamber of Parliament and served as a state secretary for Education and Sciences and as a state secretary for Social Affairs and Employment. He was also mayor of the city of Groningen from 1998 until 2009.

Mr. Wallage holds one position as referred to in article 2:142a of the Dutch Civil Code. This article is described as "number of supervisory positions" in Appendix 5: Glossary and definitions.

M.A.M. (Michiel) Boersma (1947, Dutch)

Mr. Boersma was appointed member of the Supervisory Board on 25 May 2011. His current term expires in 2019. He is, among others, non-executive member of the board of Electricia S.A. (Romania) and Nynas A.B. (Sweden), chairman of the supervisory board of Telegraaf Media Groep and member of the board of foundation Protection Fugro. Mr. Boersma is also distinguished professor Corporate Governance for former utilities at TIAS, School for Business and Society.

Mr. Boersma was CEO of Essent (a RWE company) and president of Shell Global Solutions International B.V.

Mr. Boersma holds three positions as referred to in article 2:142a of the Dutch Civil Code. This article is described as "number of supervisory positions" in Appendix 5: Glossary and definitions.

J.W.M. (Marc) Engel (1966, Dutch)
Mr. Engel was appointed member of the Supervisory Board on 16 April 2013. His current term expires in 2017. He is Chief Supply Chain Officer and member of Unilever Leadership Executive, London, and member of the supervisory board of the IDH The Sustainable Trade Initiative.

Since 1995, he has held several positions within the Unilever group. Before that, he worked at Shell International.

Mr. Engel holds one position as referred to in article 2:142a of the Dutch Civil Code. This article is described as "number of supervisory positions" in Appendix 5: Glossary and definitions.

A.M. (Agnes) Jongerius (1960, Dutch)
Ms. Jongerius was appointed member of the Supervisory Board on 16 April 2013. Her current term expires in 2017. She is a member of the European Parliament and affiliated researcher at Institutions for Open Societies of the Utrecht University and member of the supervisory board of FMO, the Dutch development bank.

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

Ms. Jongerius holds two positions as referred to in article 2:142a of the Dutch Civil Code. This article is described as "number of supervisory positions" in Appendix 5: Glossary and definitions.

T. (Thessa) Menssen (1967, Dutch)
Ms. Menssen was appointed member of the Supervisory Board on 25 May 2011. Her current term expires in 2019. She is chief financial officer and member of the executive board of Royal BAM Group. She is a member of the supervisory boards of Rotterdam Philharmonic Orchestra.

Ms. Menssen was chief operating officer of the Port Authority of Rotterdam.

She holds one positions as referred to in article 2:142a of the Dutch Civil Code. This article is described as "number of supervisory positions" in Appendix 5: Glossary and definitions.

F.H. (Frank) Rövekamp (1955, Dutch)
Mr. Rövekamp was appointed member of the Supervisory Board on 24 April 2012. His current term expires in 2016. He is chairman of the Supervisory Board of Vodafone Germany GmbH, non-executive member of the board of UNIT4, and a member of the boards of Royal Theatre Carré, Kasteel de Haar, Vereniging Vluchtelingenwerk Nederland and Refugees United.

He was a member of the Executive Committee and group Chief Commercial Officer of Vodafone Group, president and CEO of Beyoo and senior vice president (marketing and revenue management) of KLM Royal Dutch Airlines.

Mr. Rövekamp holds two positions as referred to in article 2:142a of the Dutch Civil Code. This article is described as "number of supervisory positions" in Appendix 5: Glossary and definitions.

Conflict of interest

Each member of the Board of Management and the Supervisory Board must immediately report and provide all relevant information to the chairman of the Supervisory Board about any conflict of interest or potential conflict of interest, material or not to the company and/or to the relevant member. A member of the Board of Management also informs the other members of the Board of Management (as applicable).

If the chairman of the Supervisory Board has a conflict of interest or potential conflict of interest that is material to the company and/or to him, he is required to report this immediately to the vice-chairman of the Supervisory Board and to provide all relevant information. In all situations, this includes information concerning a spouse, registered partner or other life companion, child/foster child or other relatives by blood or marriage up to the second degree.

The Supervisory Board is responsible for deciding how to resolve a conflict of interest between members of the Board of Management, members of the Supervisory Board and/or the external auditor on the one hand and the company on the other hand.

In the event of a conflict of interest between PostNL and a member of the Board of Management, the company will be represented by another member of the Board of Management or a member of the Supervisory Board appointed by the Supervisory Board for this purpose.

A decision to enter into a transaction involving a conflict of interest with a member of the Board of Management or the Supervisory Board, material or not, to the company or to the relevant member requires the approval of the Supervisory Board. No such transactions were entered into in 2015, so best practice provisions II.3.2 to II.3.4 and III.6.1 to III.6.4 inclusive of the Code did not apply.

The by-laws of the Board of Management and the Supervisory Board also include a provision that a member of the Board of Management or the Supervisory Board does not participate in any discussion or decision-making that involves a subject or transaction in relation to which the member has a conflict of interest with the company. In 2015, there were no cases whereby conflict of interest occurred.

Insider trading – share ownership
Members of the Supervisory Board, the Board of Management and PostNL's senior management are subject to the PostNL Group Policy on Prevention of Insider Trading, which sets rules to

prevent insider trading in our financial instruments.

PostNL's Supervisory Board has adopted a policy concerning ownership of and transactions in securities other than PostNL's financial instruments by members of the Board of Management and the Supervisory Board. This policy is incorporated in the by-laws of the Board of Management and the Supervisory Board and requires that each member of the Board of Management and Supervisory Board gives at least quarterly notice to PostNL's compliance officer of any changes in his or her holding of securities in Dutch-listed companies.

A member of the Board of Management 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 exempt from compliance with these internal notification requirements.

Share ownership is not mandatory for members of the Board of Management and Supervisory Board.

The total number of shares held by each member of the Board of Management and the Supervisory Board, other than shares allocated under PostNL's performance share plan, variable remuneration and/or matching plan and/or share option plan, are listed in the table below.

PostNL shares held by Board of Management/Supervisory Board

	At 31 Dec 2015	At 31 Dec 2014
Board of Management		
Herna Verhagen	101,432	74,659
Jan Bos	83,608	63,261
Supervisory Board		
Piet Klaver	20,950	20,950

This table does not include any granted rights on shares allocated to the members of the Board of Management under PostNL's participation in the variable compensation scheme. See note 5.1 to the consolidated financial statements and the chapter Remuneration report under actual remuneration in 2015. The information in this table is publicly available at www.afm.nl.

Diversity

Pursuant to the Dutch Civil Code, PostNL must have a balanced representation of men and women on its Board of Management and Supervisory Board. This is considered to be the case if at least 30% of the seats are filled by men and at least 30% are filled by women.

The Board of Management meets this requirement with one female and one male member, i.e. 50% of the seats filled by women.

PostNL's Supervisory Board currently has seven members, of which two are women, i.e. 28.6%. Consequently, the Supervisory Board does not fully meet the required 30% female representation. As follows from the profile of the Supervisory Board, (gender) diversity is taken into account when selecting candidates in case of a vacancy in the Supervisory Board.

Ultimately, the capacities of the selected candidates are assessed irrespective of the candidate's gender and the most qualified candidates will be nominated for appointment. In 2015, Ms. Menssen and Mr. Boersma were up for reappointment as members of the Supervisory Board. PostNL benefitted from their expertise and the Supervisory Board decided to propose their reappointment in order to retain their knowledge, experience and expertise.

Corporate secretary

The Board of Management, the Supervisory Board and the Executive Committee are assisted by PostNL's corporate secretary. All members of the Board of Management, the Supervisory Board and the Executive Committee have access to the advice and services of the corporate secretary, who is responsible for ensuring that the Board of Management, the Supervisory Board and the Executive Committee procedures are followed and that each of these bodies acts in accordance with the law, the articles of association and the relevant by-laws.

Shareholders and their rights

General meeting of shareholders

PostNL is required to hold an Annual General Meeting of Shareholders within six months of the end of the financial year. The agenda for this meeting includes the adoption of the financial statements, a proposal on dividend and the release from liability of the members of the Board of Management and the Supervisory Board for the performance of their respective duties during the financial year. This release only covers liability for matters reflected in the relevant financial statements or otherwise disclosed to the General Meeting of Shareholders prior to the adoption of the relevant financial statements.

General Meetings of Shareholders are held as often as the Board of Management or the Supervisory Board deem necessary, and shall be convened in case of a decision entailing a significant change in the identity or character of PostNL or its business.

Furthermore, the Supervisory Board and the Board of Management are in principle required to convene a shareholders meeting in case one or more shareholders representing at least 10% of the issued share capital so request in writing, stating the proposed agenda in detail.

General Meetings of Shareholders may be held in Amsterdam, The Hague, Hoofddorp or in the municipality of Haarlemmermeer (Schiphol).

One or more shareholders representing at least 1% of PostNL's issued share capital are entitled to request that the Board of Management or the Supervisory Board place items on the agenda of a General Meeting of Shareholders. Such a request must be honoured by the Board of Management or the Supervisory Board, provided that the request is received in writing at least 60 days before the date of such a meeting.

In the event a request is made by one or more shareholders to either convene a meeting or to place an item on the agenda of a General Meeting of Shareholders that may result in a change of the company's strategy, the Board of Management is entitled to a reasonable period in which to respond, which shall not exceed 180 days.

The central works council of PostNL has the right to form an opinion on proposals to determine or modify the policy on the remuneration of the Board of Management, proposals that entail a significant change in the identity or character of the company or its business and proposals to appoint a member of the Supervisory Board. The central works council has the right to explain its position during the General Meeting of Shareholders.

General Meetings of Shareholders are convened at least 42 days in advance by a notice published on the company's website.

Each shareholder is entitled to attend a General Meeting of Shareholders, either in person or by written or electronic proxy, to address the meeting and to exercise voting rights, subject to the provisions of PostNL's articles of association. An eligible shareholder has the aforementioned rights if registered as a shareholder on the applicable record date to the extent described by Dutch law.

Each PostNL share carries the right to cast one vote. Unless Dutch law or PostNL's articles of association stipulate otherwise, resolutions are passed by a simple majority of votes cast by the shareholders present or represented at the meeting. Pursuant to PostNL's articles of association, there are no limitations to the rights of Dutch, non-resident or foreign shareholders to hold or exercise voting rights in respect of PostNL's securities.

General meeting of shareholders 2015

On 14 April 2015, PostNL held its Annual General Meeting of Shareholders in The Hague, the Netherlands. The attendance rate was 52% of the total outstanding share capital.

At the Annual General Meeting of Shareholders, the following resolutions were adopted:

- The adoption of the 2014 financial statements
- The release of the Board of Management and Supervisory Board from liability for the performance of their respective duties during the financial year 2014
- The reappointment of Ms. Menssen and Mr. Boersma as members of the Supervisory Board
- The appointment of Ernst & Young Accountants LLP as external auditor of the company as from 2016
- Extension of the mandate granted to the Board of Management to issue ordinary shares until 14 October 2016 (limited to 10% of the issued capital at the time of issue and an additional 10% of the issued capital at the time of issue in case of a merger or an acquisition)
- Extension of the mandate granted to the Board of Management to limit or exclude pre-emptive rights to issue ordinary shares until 14 October 2016 (limited to 10% of the issued capital at the time of issue and an additional 10% of the issued capital at the time of issue in case of a merger or an acquisition)

With respect to the last two bullets, see also the section Articles of association, share acquisition, increase of issued share capital below.

The agenda, resolutions and voting results for each resolution, the presentations given during the meeting and a webcast of the meeting are available on our website in Dutch and English: http://www.postnl.nl/en/about-postnl/investors/shareholders-meeting/. Minutes of the meeting are only available in Dutch.

Liquidation rights

In the event of PostNL's dissolution and liquidation, the assets remaining after payment of all debts and liquidation expenses are to be distributed in the following order of preference: firstly, to the holders of all outstanding preference shares B (if any), the nominal amount paid up on these shares plus accumulated dividends for preceding years that have not yet been paid; and secondly, to holders of ordinary shares in proportion to their shareholdings.

Changes to the rights of shareholders

Rights of shareholders may change by way of an amendment to the articles of association, a statutory merger or demerger within the meaning of book 2 of the Dutch Civil Code, or dissolution of the company. A resolution of the General Meeting of Shareholders is required to effect these changes. Under PostNL's articles of association, such a resolution may only be adopted upon a proposal by the Board of Management that has been approved by the Supervisory Board.

Major shareholders

To PostNL's knowledge, it is not directly or indirectly owned or controlled by another company or by any government. PostNL does not know of any arrangements of which the operation might, at a subsequent date, result in a change of control, except as described under 'Foundation Continuity PostNL and preference shares B' below.

The Financial Markets Supervision Act (*Wet op het financieel toezicht*) imposes a duty to disclose percentage holdings in the capital and/or underlying financial instruments and/or voting rights in the company when such holding reaches, exceeds or falls below 3%, 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95%. Such a disclosure must be made to the Dutch Financial Markets Authority (AFM) without delay. The AFM then notifies the company.

Articles of association, share acquisition, reduction and increase of issued share capital

Amendment of the articles of association

The company's articles of association can be amended upon a proposal by the Board of Management, approved by the Supervisory Board and adopted by the General Meeting of Shareholders. A proposal to amend the articles of association must be stated in a notice convening a General Meeting of Shareholders and announced in such a manner as permitted by law at the time. The proposal shall be passed upon an absolute majority of the votes cast in the General Meeting of Shareholders. PostNL's articles of association are available on our website: http://www.postnl.nl/en/about-postnl/about-us/management/.

Ability of the company to acquire its own shares

Under its articles of association, PostNL may acquire its own shares, provided that they are fully paid up. If such shares are acquired for consideration, the following conditions apply:

- PostNL's shareholders' equity less the purchase price may not fall below the sum of the paid-up capital and any reserves required to be maintained by Dutch law or pursuant to the articles of association
- Following the share acquisition, PostNL may not hold shares with an aggregate nominal value exceeding half of its issued share capital.

The Board of Management is authorised to decide to acquire PostNL shares. Such a resolution requires the approval of the Supervisory Board. In addition, the Board of Management requires prior authorisation by the General Meeting of Shareholders. This authorisation may be valid for a period not exceeding 18 months and must specify:

- The number of shares that may be acquired
- The manner in which shares may be acquired
- The price limits within which shares may be acquired.

Authorisation by the General Meeting of Shareholders is not required if the PostNL shares are acquired for the purpose of transferring those shares to PostNL employees pursuant to any arrangements applicable to such employees.

Reduction of issued share capital in general

The issued share capital may be reduced by the cancellation of shares following a repurchase. PostNL's issued share capital may also be reduced if the nominal value of its shares is reduced by amendment of PostNL's articles of association. The resolution to reduce PostNL's issued share capital requires the approval of the General Meeting of Shareholders. Pursuant to PostNL's articles of association, such a resolution may be adopted pursuant to a proposal of the Board of Management that has been approved by the Supervisory Board. The latter requirement is more stringent than Dutch law.

Increase of issued share capital by issuance of shares/pre-emptive rights

PostNL's Board of Management has been designated as the body authorised to resolve on the issuance of shares and to grant rights to subscribe for shares, including options and warrants. Such a resolution is subject to the approval of the Supervisory Board. The scope and duration of this authority of the Board of Management are determined by the General Meeting of Shareholders. The Board of Management cannot be authorised to issue more shares than the number of authorised shares that have not been issued (i.e. the number of authorised shares minus the number of issued shares). The authority may not be granted for a period longer than five years.

The term of designation of the Board of Management as the body authorised to resolve on the issuance of shares may also be extended by amendment of PostNL's articles of association. If no extension is given, the issue of shares or granting of rights to subscribe for shares requires a resolution of the General Meeting of Shareholders. Such a resolution may only be adopted pursuant to a proposal by the Board of Management that has been approved by the Supervisory Board.

In principle, each holder of ordinary shares has a pre-emptive right in case of any issue of ordinary shares or the granting of rights to subscribe for these shares. Registered holders of American Depositary Shares (ADS) and holders holding their ADS through a broker or a nominee evidenced by American Depositary Receipts do not qualify as holders of ordinary shares in this respect.

Pursuant to PostNL's articles of association, shareholders' pre-emptive rights may be restricted or excluded by a resolution of the Board of Management, provided and as long as the Board of Management has been designated as the body authorised to resolve on the issuance of shares. Such a resolution is subject to the approval of the Supervisory Board. Pursuant to PostNL's articles of association, the provisions relating to the scope and duration of the authority to issue shares and grant rights to subscribe for ordinary shares are also applicable to the scope and duration of the authority to exclude or restrict pre-emptive rights.

Dividend

The Board of Management may determine, subject to approval by the Supervisory Board, that any dividend on ordinary shares will be paid wholly or partly in PostNL ordinary shares instead of cash, or that any dividend will be paid by giving shareholders the option to choose between PostNL ordinary shares or cash (optional dividends).

If and when dividends are declared, PostNL pays dividends out of its profits, or by exception out of the distributable part of its shareholders' equity as shown in PostNL's financial statements. PostNL is not allowed to pay dividends if the payment would reduce shareholders' equity below the sum of the paid-up capital and any reserves required by Dutch law or the company's articles of association.

The Board of Management may, subject to approval by the Supervisory Board and to provisions of Dutch law, distribute interim dividends.

No dividend shall be paid on shares held by PostNL. Such shares shall not be included for the calculation of the profit distribution, unless the Board of Management resolves otherwise. Such a resolution is subject to the approval of the Supervisory Board.

Under PostNL's articles of association, if preference shares B have been issued, PostNL must pay dividends on the paid-up portion of the nominal value of the preference shares B. Payment is made at a rate of the average 12-month EURIBOR (Euro Interbank Offered Rate), weighted to reflect the number of days for which the payment is made, plus a premium to be determined by the Board of Management, subject to approval by the Supervisory Board, of at least one percentage point and at most three percentage points.

The Board of Management then determines, subject to the approval of the Supervisory Board, the part of the remaining profits to be appropriated to reserves. The profit that remains after appropriation is at the disposal of the General Meeting of Shareholders.

The PostNL Reserves and Dividend Guidelines are available on our website. Any changes to these guidelines shall be explained in a separate agenda item at the Annual General Meeting of Shareholders.

Foundation Continuity PostNL and preference shares B

Stichting Continuïteit PostNL (Foundation Continuity PostNL) was formed to safeguard PostNL's interests and those of its Group companies and all interested parties. It does this by, among other things, preventing any influences that could threaten PostNL's continuity, independence and identity, as far as possible. Foundation Continuity PostNL is an independent legal entity and is not owned or controlled by PostNL or any other legal person.

PostNL's articles of association provide for protective preference shares B that can be issued to Foundation Continuity PostNL. The preference shares B have a nominal value of €0.08 and have the same voting rights as PostNL's ordinary shares.

PostNL and Foundation Continuity PostNL have entered into a call option agreement, which enables Foundation Continuity PostNL to acquire a number of preference shares B not exceeding the total issued amount of shares minus one and minus any shares already issued to Foundation Continuity PostNL. The call option agreement is meant as a preventive measure against influences that might threaten the continuity, independence and identity of the company. Preference shares B will be outstanding no longer than strictly necessary. There are currently no preference shares B issued.

The exercise price with respect to the call option is the nominal value of €0.08 per preference share B, although upon exercise only €0.02 per preference share B is required to be paid. The additional €0.06 is due when the Board of Management, subject to the approval of the Supervisory Board, requests payment. Foundation Continuity PostNL has credit facilities in place to enable it to pay the exercise price.

Six months after the issuance of preference shares B, Foundation Continuity PostNL may require PostNL to convene a General Meeting of Shareholders to discuss cancellation of these shares. However, if within these six months Foundation Continuity PostNL should receive a demand for repayment under the credit facilities referred to above, it may also require PostNL to convene a General Meeting of Shareholders. In accordance with PostNL's articles of association, a General Meeting of Shareholders must be convened no later than 12 months after the first date of issuance of any preference shares B to Foundation Continuity PostNL. The agenda for that meeting shall include a resolution regarding the repurchase and/or cancellation of the preference shares B.

PostNL has granted Foundation Continuity PostNL the right to file an application for an inquiry into the policy and conduct of PostNL's business with the Enterprise Chamber of the Amsterdam Court of Appeal (*Ondernemingskamer*). Should such an inquiry be granted, the Enterprise Chamber may impose immediate provisions.

As per 31 December 2015, the members of the Board of Foundation Continuity PostNL were Mr. J.H.M. Lindenbergh (chairman), Mr. W. van Vonno, and Mr. M.P. Nieuwe Weme. All members of the Board of Foundation Continuity PostNL are independent from PostNL. This means that Foundation Continuity PostNL is an independent legal entity as referred to in section 5:71 paragraph 1 sub c of the Dutch Financial Markets Supervision Act (*Wet op het financieel toezicht*).

Shareholder dialogue

PostNL endeavours to stay in regular contact with its shareholders. The CEO, CFO and investor relations meet with shareholders during roadshows and conduct individual meetings and calls during the year.

Communication takes place with governance institutions representing shareholder groups before the Annual General Meeting of Shareholders and also during the year.

Furthermore, PostNL organises an annual dialogue with its stakeholders, in addition to the daily, ongoing contacts with customers, regulators, interest groups etcetera. The outcome of the stakeholder dialogue is used as input for PostNL's CR programmes and targets. More information about PostNL's stakeholder dialogue can be found in our CR statements chapter.

PostNL does not have a specific policy to introduce members of the Supervisory Board to PostNL shareholders. The company has a policy on bilateral contacts with the shareholders which is included in the investor relations policy and published on PostNL's website.

External auditor

PostNL's external auditor, PricewaterhouseCoopers Accountants N.V., is appointed by the General Meeting of Shareholders. PostNL's Audit committee is exclusively authorised, subject to confirmation by the Supervisory Board, to recommend to the General Meeting of Shareholders the appointment or replacement of the external auditor. The Audit committee is directly responsible for overseeing the activities and performance of the external auditor on behalf of the Supervisory Board, including settling disagreements between management and the external auditor regarding financial reporting.

The Audit Committee, supported by the Internal Audit director, is required to pre-approve all services the external auditor provides to ensure these do not impair the auditor's independence from PostNL. The Audit Committee grants a general pre-approval for certain routine services every year. By Dutch law, the external auditor is in principle prohibited to render non-audit services. Conflicts and potential conflicts of interest between the external auditor and PostNL are settled in accordance with the terms of reference of the Audit Committee and in particular the annex PostNL Group Policy on Auditor Independence and Pre-Approval, which is available on PostNL's website. See note 2.1.6 to the consolidated financial statements of PostNL N.V. for the fees paid to PricewaterhouseCoopers Accountants N.V. and the distribution of fees between audit and audit-related services.

The Audit Committee requires a formal written statement from the external auditor confirming its independence.

Once every three years, the Audit Committee and the Board of Management are required to conduct a thorough assessment of the functioning of the external auditor within the various entities and in the different capacities in which the external auditor acts. The most recent assessment was held in 2013 and the main conclusions of this assessment were communicated during the 2013 Annual General Meeting of Shareholders. The lead partner and key audit partners rotate after a maximum period of 7 years. Mr. H.C. Wüst has been the lead audit partner since 2011.

At the General Meeting of Shareholders held on 14 April 2015, following mandatory rotation of the audit firm, Ernst & Young Accountants LLP was appointed as the auditor for PostNL N.V. for an initial three-year term that covers the years 2016, 2017 and 2018.

Internal audit

PostNL's internal audit function provides independent and objective assurance to the Board of Management and the Supervisory Board on the effectiveness of the internal control framework and performs financial and operational audits for the various units within the PostNL Group. Audits are scheduled in close cooperation with the business concerned and organised in such a way that the external auditor can use the internal audit activities optimally. Each audit is followed by a formal audit report to the management responsible. Adequate follow-up on audit findings is assured. A summary report of audit-related topics (findings, follow-up, etc.) is issued every quarter to the Board of Management and the Audit Committee. Audit planning, the quality and professionalism of the audit team and the effectiveness and efficiency of the execution of the audits are supervised by the Board of Management and approved by the Audit Committee. The internal audit function reports to the CEO with open communication to the CFO and the Audit Committee.

11 Risk management

In this chapter we look at how we manage our risks. Additionally, we provide an overview of the main risks to the strategic objectives and how we mitigate each of those risks.

Risk management approach

This section provides an overview of PostNL's approach to risk management, internal control, integrity and compliance. It includes the disclosures required by the Dutch Corporate Governance Code and chapter 5.1a of the Dutch Financial Markets Supervision Act (Wet op het financieel toezicht).

Our risk management framework has been designed to identify and prioritise our main risks and develop appropriate responses. This framework is in line with the Integrated Framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO 2013) and the Dutch Corporate Governance Code.

We have built a comprehensive portfolio of Group policies and controls, ensuring discipline in our business processes. These support the Board of Management in its statutory and fiduciary obligations to stakeholders in developing and achieving its strategic, operational and financial objectives. The head office functions are responsible for ensuring that the legal and regulatory compliance objectives are achieved and that decision-making is facilitated and supported by transparent, accurate and relevant information. The Board of Management and the Supervisory Board monitor the effectiveness and efficiency of the risk management, internal control, integrity and compliance framework. They are supported by the Internal Audit department.

Understanding strategic, operational, legal & regulatory, and financial risks, including risks relating to corporate responsibility, is a vital element of our management decision-making process. Management reviewed the risk profile regularly throughout 2015 and will continue to do so during 2016. Risks are identified by means of both a bottom-up (line management) and top-down (Board of Management and business segment management) approach, covering the entire business. For those risks deemed material, the Board of Management develops and reviews comprehensive risk response plans.

The risks described in this chapter cover the main risks to our strategic objectives as described in the chapter Our strategy.

Risk appetite

Risk appetite is the level of risk we deem acceptable to achieve our objectives. The risk appetite is set by the Board of Management in close cooperation with the Executive Committee, based upon our strategic goals, our business principles, our policies and procedures, and taking into consideration the highly regulated markets we operate in. Our risk appetite differs per risk type:

- Strategic risks: we aim to deliver on our strategic ambitions and priorities, and are willing to accept reasonable risks to achieve this.
- Operational risks: we face operational challenges which require an appropriate level of management attention. The overall objective is to avoid risks that could negatively impact our goal to achieve operational efficiency, while ensuring our quality standards are unaffected.
- Financial risks: our financial strategy is focused on a strong financial position and creating long-term value for our shareholders. Our goal is to have financial ratios at a level of BBB+ / Baa1 and only accept risks that do not threaten this.
- Legal & regulatory risks: we strive to be fully compliant with our code of conduct and national and international laws and regulations of the markets in which we operate and do not accept deviations.

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

- Mandatory participation in risk management workshops by relevant management team members
- Assessing risks on the criteria impact, and the likelihood of occurrence and the effectiveness of internal controls

The effectiveness of internal controls is tested by management. Management is required to follow up on risks improperly mitigated by internal controls, which might result from, for example, a major organisational (for example Postcon) or IT change. This requires additional actions, including performing and evaluating compensating controls and activities, to remediate the risks of a misstatement in the financial reporting.

Our risk management and control systems are designed to reduce the likelihood of errors, wrong decisions and unforeseen circumstances as much as possible. It provides reasonable but not absolute assurance against material misstatement or loss. However, no risk management or internal control system can provide an absolute safeguard against failure to achieve corporate objectives, fraud or breach of rules and regulations. Risk mitigation as described below is meant to provide a high-level overview of potential and initiated action points in response to the risks identified and are not to be interpreted as a comprehensive list of risk responses within PostNL. The risks related to unforeseeable events are very difficult to quantify, and while we organise comprehensive risk mitigation techniques, we are not always able to prepare for the consequences these types of events may have, if any, on our financial performance and position.

Internal control over financial and CR reporting

In 2015, we continued to invest the resources required to document and evaluate the design of internal controls over financial and CR reporting, and continued to test the operational effectiveness of these internal controls. The Internal Audit department performed specific review procedures relating to internal control over financial and corporate responsibility reporting in the entities within the scope of our internal control framework.

Ways to further strengthen our control framework are discussed in the Internal Control Committee (ICC). The ICC is composed of the CFO, the director accounting & reporting, the director audit & security, the director control & strategy, and representatives of the risk management and internal control department. The external auditor also attends the ICC meetings. The ICC met five times in 2015.

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

Integrity

We are committed to sound business conduct. We therefore manage our business according to applicable laws and regulations and according to the PostNL Business Principles, which provide guidance on interaction with colleagues, customers, business partners and society in general. A company-wide integrity programme ensures that the Business Principles, which are published on the postnl.nl website, are applied consistently throughout the organisation. In addition, senior management is regularly required to follow trainings.

The PostNL Integrity committee advises and assists the Board of Management in developing, implementing and monitoring Group policies and procedures aimed at enhancing integrity and ethical behaviour and preventing fraud. This committee oversees and coordinates investigations based on reports of possible breaches filed under the PostNL Business Principles, the PostNL Group Procedure on Whistleblowing and the PostNL Group Policy on Fraud Prevention. The committee advises on the guidelines for disciplinary actions. It also advises the Board of Management and line management on the mitigation of fraud risks and on ethical and anti-corruption matters. The Integrity committee reports regularly to the Board of Management and every six months to the Supervisory Board. More information can be found on http://www.postnl.nl/en/about-postnl/about-us/integrity.

Compliance

PostNL's Group policies and procedures reflect and define the view of the Board of Management and the manner in which we conducts our business.

Performance and compliance are monitored regularly in discussions between the appropriate line management and the Board of Management via internal audits, through the monitoring duties of PostNL committees and through the internal letter of representation. For the purposes of issuing the letter of representation, all managing directors and finance directors of PostNL's Group entities and company-level management reporting directly to the Board of Management perform a self-assessment of their responsibilities in the risk assessment process, effectiveness of internal controls procedures and financial reporting process. The signed internal letters of representation are the basis for the letter of representation that the Board of Management signs off as part of the audit by the external auditor.

Main risks occurred in 2015

Some of the risks described in our 2014 Annual Report occurred in 2015. We were mainly impacted by ongoing and intensifying competition, decisions of the Dutch Authority for Consumers and Markets (ACM), and were confronted by industrial action of some of our independent parcel deliverers. No unforeseen significant events, which were not included in our risk profile 2014, occurred in 2015.

We faced continued pressure on our results due to ongoing and intensifying competition. Within the addressed mail market competition is intensifying, driven by digitisation and the declining market. Within both addressed and unaddressed mail, there is a trend towards customers requesting a range of different services, in terms of price, quality, and added value. Within Parcels in the Benelux region, where competition is already strong, we see it intensifying from both established logistics players and new (last mile) entrants, attracted by growth in the e-commerce market.

The ACM published two decisions that regulate access of other postal operators to our network. Also, a clearer view on the possible measures of ACM in its conclusion on significant market power has arisen. The estimated annualised financial impact of these measures could add-up to €30 million - €50 million over a period of three to four years. The first effects will be visible in 2016. We continue to discuss this topic with the ACM.

In 2015, we launched our Sustainable Delivery Model. This programme aims to develop a sustainable parcels market that provides fair and competitive working conditions, and increases commitment of people by stimulating cultural diversity, innovation and entrepreneurship. As part of our Sustainable Delivery Model we offered our independent parcel deliverers four options, from becoming a PostNL employee to remaining an independent parcel deliverer. We expect the financial impact of these measures to be between €15 million and €20 million annually, of which €9 million materialised in 2015.

The key risks we face in executing our strategy and business processes are described in the tables below. For each risk we determine the risk level based on impact and likelihood of occurrence, using a three-point system classifying risks as major, moderate or low. Additionally, for each risk we indicated whether the risk trend is decreasing, increasing or remained stable.

With the ACM stating that our cost allocation system complies with both legal requirements and the amendments to the Dutch Postal Act and the Postal Decree 2009, which eased the requirements for mandatory postboxes and postal offices, we consider the nature of the 'USO Regulation' risk to be a Legal & regulatory risk rather than a Strategic risk.

Strategic risks

Risk level	Risk description	Trend	Risk mitigation
●●●	**Competition** Competition may put pressure on our market share, volumes and prices, which could have an adverse effect on revenues and profitability. We are faced with increased competition across both our mail and parcels businesses, as markets become more competitive and globalised. We may have to lower our prices in specific segments to protect our volume, or may decide to exit certain businesses or markets in the future, which could result in additional costs related to the discontinuation of operations.	↑	Commercial initiatives are in place, such as differentiating service levels, (new) products and adequate pricing, as well as building more long-term customer relationships (customer intimacy), based on our comprehensive network coverage, and operational excellence.
●●●	**Substitution** The ongoing trend amongst consumers to move to digitisation is leading to a decline in physical mail. As a result, the volume of mail is decreasing. This decrease in volume requires us to adapt our infrastructure and delivery processes. Substitution or alternatives to our delivery services may reduce revenues and profitability. A decline in the addressed mail volume mix of one percent results, on average, in a decrease of approximately €10 million in underlying operating income.	=	We continuously and consistently take commercial initiatives to slow down or adapt to substitution, leading to the introduction of a range of new services and solutions. Furthermore, we develop operational processes to adapt more flexible to future volume declines. More information can be found in the Implementing our Strategy in 2015 chapter.

Operational risks

Risk level	Risk description	Trend	Risk mitigation
●●○	**Business continuity** We could be materially affected if a significant accident or adverse event occurred within the company. For example, an event affecting critical IT systems, key accounts, key staff, industrial actions, fire or flooding at one of the major hubs. Severe disruption and reputational damage to the business may result in untimely delivery of services and could impact our financial performance.	=	At a strategic and tactical level, we continually assess if we have enough operational capabilities and resources available, and constantly improve our logistical infrastructure. We also continuously update our business continuity management processes to ensure that we are well prepared for potential adverse risk events. We have comprehensive insurance coverage and continuously develop our relationships with external parties, such as business partners.
●●○	**Execution of cost saving initiatives** Cost savings initiatives, including streamlining our workforce, introducing greater efficiencies across our infrastructure, and reducing costs at our head office may be delayed or not achieve the results intended. Additionally, they could cause labour unrest, a deterioration in the quality of services, or could adversely affect our reputation and financial performance.	=	Cost savings projects are executed via enhanced programmes and are monitored continuously by a programme office. Mechanisms to adjust to changing circumstances have been implemented and are reviewed periodically. Execution via pilots enables smooth implementation on a larger scale.
●●○	**Implementation of strategic change projects** Implementation of the business strategy is supported by a change programme. We are implementing an increased number of growth initiatives, restructuring (for example Postcon) and IT projects, as well as undertaking acquisitions. These all require significant change and stakeholder management, as well as project management expertise. (More information on these developments can be found in the Implementing our Strategy in 2015 chapter.) Coherence between the broad range of projects and operational activities may cause delays in successfully implementing all projects in order to initiate growth and to realise cost savings, and therefore may have an adverse material effect on our mid- and long-term targets. PostNL may lack resources in terms of quantity and quality to execute these projects. The strategic change projects inherently increase the risk that internal controls are ineffective for a short period.	↑	All critical projects have been prioritised and are supervised by the Board of Management to ensure an aligned and integrated vision, and commitment of senior management to the change agenda. The agenda is monitored by adequate programme management. We also employ and develop in-house expertise, including talent management. We mitigate the increased risk that internal controls are ineffective for a short period by performing compensating controls and activities.

Legal & regulatory risks

Risk level	Risk description	Trend	Risk mitigation
●●●	**USO Regulation** We act in highly regulated markets. In the Netherlands we provide the Universal Service Obligation (USO), the basic postal service that ensures postage remains accessible and reliable for all. Possible changes in the USO regulation could have an adverse impact on our ability to adapt to market and regulatory developments and changes in customer demand in a timely and effective way. In September 2015 the ACM judged that our adjusted cost allocation system complies with the legal requirements.	↓	We are enhancing our position as designated provider through a continuous dialogue with the government, decision makers and regulators. More can be found in the Developing our strategy chapter.
●●●	**Legal & regulatory requirements** We are confronted with complex legal and regulatory requirements in the countries in which we operate. These include, but are not limited to, tariff regulation, competition regulation (including recent developments with respect to significant market power, leading to measures by the ACM), data protection and privacy, and postal law requirements. Changes in legal and regulatory requirements had, and may continue to have, an adverse material impact on business operations and on our financial performance.	↑	We implement appropriate policies, processes and internal control procedures, which limit exposure to complex legal and regulatory requirements, such as competition law and anti-bribery acts, and operate a robust integrity programme that includes business principles. We aim to have open and transparent discussions with regulatory authorities.
●●○	**Status of independent parcel deliverers** A regulation change that has an impact on the self-employed status or labour conditions of independent parcel deliverers could adversely affect our reputation or financial performance.	=	We continuously monitor developments in this area and are, where opportune, in dialogue with the regulatory authorities to reach or maintain agreement on the status of independent parcel deliverers. We also agree upon relevant contractual terms and conditions with the independent parcel deliverers to comply with these developments, where necessary.
●○○	**Misconduct** At PostNL we want to be known not just for the quality of our products and services, but also for the way we do business. That means doing business in a fair and transparent manner, and in accordance with relevant behavioural and ethical standards. This applies to our workforce as well as to our suppliers. Employee, contractor and business partner or supplier misconduct could negatively impact financial performance, leading to the loss of customers, the imposition of monetary penalties or other sanctions imposed by national and local governments (and other regulators) of the countries in which we operate. Additionally, misconduct could harm our reputation.	=	We implemented a robust internal control framework and operate an integrity programme that includes business principles, a whistleblowing procedure and a pre-employment screening policy, intended to ensure people act in accordance with the company's preferred way of operation. Additionally, we have established an Integrity committee. We promote integrity in a number of ways, including providing selected employees with additional mandatory training on specific relevant subjects and in the way of communicating (tone at the top).

Financial risks

Risk level	Risk description	Trend	Risk mitigation
●●●	**Stake in TNT Express** We hold a financial stake in TNT Express of 14.6 percent. As long as we continue to hold the TNT Express stake, our equity and funding positions could be negatively affected. This could either be through volatile capital markets or the negative business performance of TNT Express, causing the fair value of the stake to decline materially. This could hinder payment of a (cash) dividend. For example, a €0.50 decrease in the share price of TNT Express decreases the value of our 14.6 percent stake by €40 million.	↓	In April 2015 it was publicly announced that FedEx wanted to buy TNT Express by proposing a bid of € 8.00 per share. We agreed to accept this offer. Finalisation is pending, with market competition agreement required from a number of countries. We expect the deal to close in the first half of 2016, enabling us to materialise the 14.6 percent stake.

●●●	**Volatility of pension provision** Actuarial assumptions, such as discount rates and demographic variables, have an impact on the valuation of employee benefit plans. A decrease in equity returns or interest rates may negatively affect the funding ratios of our pension funds, which may lead to an increase in the pension provision, or in multi-year additional funding by us.	↓	We hold open and regular discussions with the pension fund trustee board, which is independent of PostNL. In 2015 we reduced the volatility risk of pensions following the implementation of the new Dutch financial pension regime (nFTK). The recovery period was increased from 3 years to 5 years and the liability for a conditional payment of € 315 million was terminated. Both steps reduce the risk of additional pension payments. For more information, see note 3.4 to the consolidated financial statements.
●●○	**Collective labour agreements** Being a good employer is vitally important to us. We focus on employee engagement, culture and diversity, and sustainable employment. In 2015, we improved our employee engagement score, strengthened our culture, and increased the diversity of our workforce (more information can be found in the Implementing our strategy in 2015 chapter). CLAs are agreed between the company and the trade unions. If in the future no agreements could be reached with the Dutch trade unions, our financial performance could be affected by higher labour costs.	↓	We maintain good relationships with the trade unions and social partners based on mutual recognition of shared interests. We agreed a new Social Plan in 2015, which took effect on 1 January 2016, and will remain in place until 31 December 2020. In January 2016, we agreed on a new CLA for mail deliverers, which includes provisions for pay increases and expense compensation. The CLA is valid for two years. It went into effect retroactively as of 1 October 2015, and will remain effective until 30 September 2017.
●●○	**Financial risk management** We are exposed to a variety of financial risks, such as currency risk, interest rate fluctuations, credit risk, liquidity risk, price risk and cash flow risk. These risks can have an adverse effect on our financial position and results. This also relates to the impact of fluctuation on the valuation of the pension provision.	=	All these risks arise in the normal course of business and we use various techniques and financial derivatives to mitigate them. For example, we hedge both currency and interest rate risks in accordance with the relevant Group policies. The market interest risk related to the pension liabilities is mitigated by the independent pension fund. For more information, see notes 4.3 and 4.4 to the consolidated financial statements.
●○○	**Liability of loss or damage** We are exposed to claims for loss or damage. Some of these exposures are covered under conventions such as the United Postal Union, the Warsaw Convention or the Convention on the Contract for the International Carriage of Goods by Road, as well as PostNL's general terms and conditions. Claims for loss or damage not covered under these conventions or PostNL's general terms and conditions may negatively affect our financial performance.	=	We maintain insurance policies in relation to our business and assets with reputable underwriters and/or insurance companies against claims for loss or damage to the extent not covered by conventions, and to the extent that is usual for companies like ours.

12 Remuneration report

The remuneration committee of the Supervisory Board is responsible for assessing and preparing the remuneration policy for the members of the Board of Management. The supervisory Board assesses the proposals and submits, in the event of policy changes, the proposed remuneration policy to the Annual General Meeting of Shareholders for adoption.

Remuneration policy 2015

The 2015 remuneration policy is based on the remuneration policy as adopted by the Annual General Meeting of Shareholders of PostNL on 16 April 2013. The objective of the remuneration policy is to retain, motivate and attract qualified members of the Board of Management of the highest calibre essential for the successful leadership and effective management of a large company. The main principles of PostNL's remuneration policy are:

- sobriety,
- a base salary based on median market levels,
- moderate variable remuneration with focus on both short- term and long-term objectives,
- long-term compensation supportive to the attainment of PostNL's strategy,
- transparency,
- alignment with multi-stakeholder interests,
- responsible and risk-controlling, and
- performance-related for reasonable variable remuneration with payout in cash and in shares.

Review against (new) peer group

To provide a consistent review of the level and structure of the total remuneration at median market level, which is aligned with best market practice, all remuneration components for the members of the Board of Management are reviewed and benchmarked at least every three years against a Dutch peer group. The Supervisory Board regularly reviews the peer group to ensure a balanced representation of the relevant labour market.

In 2015, the Supervisory Board has established a new peer group in consultation with and after discussion in the Remuneration Committee. The main criteria for the new peer group are a domestic focus and comparability to PostNL in terms of size. Furthermore, a number of companies is no longer included in the peer group as they are not listed anymore. The 2015 peer group consists of a mix of both AEX- (6) and AMX-listed (8) companies.

Dutch peer group 2015

Aalberts Industries [1]	KPN
Arcadis	Randstad [1]
BAM Group	Royal Boskalis Westminster
DSM	Sligro [1]
Fugro	TKH Group [1]
Grandvision [1]	TNT Express [1]
IMCD [1]	USG Group

1. New compared to previous peer group of 2012

In 2015, all remuneration components were reviewed and benchmarked against the new peer group. The outcome of the benchmark assessment shows that the base salary for both members of the Board of Management are positioned at around market median level. Total remuneration for both members of the Board of Management is positioned below the 25th percentile of the peer group. All comparisons are made on a euro basis. Scenario analyses and internal pay relations' analyses have been performed in conformity with provision II.2.2 of the Dutch Corporate Governance Code.

Based upon wage moderation and cost savings, the Board of management has proposed not to increase its remuneration. The Supervisory Board supports this proposal.

Base salary

In line with the adopted remuneration policy, the 2015 annual base salary of the CEO is €625,000 and that of the CFO €475,000.

Variable remuneration

The variable remuneration has the following characteristics:

- the total variable remuneration potential is capped at 75% of the annual base salary. There is no stretch opportunity,
- a combined short-term incentive (STI) and long-term incentive (LTI) plan in which the members of the Board of Management have the opportunity to earn an incentive based on annual targets (STI) and three-year targets (LTI). Both STI and LTI are capped at 37.5% of the annual base salary, and
- it involves a temporary transition plan to prevent a significant moderation of disposable income due to the transition from a short-term incentive plan only to a combined short-term and long-term incentive plan.

Short-term incentive

The short-term incentive represents a potential reward of 37.5% of the annual base salary, which is based on annual targets. Individual targets can only contribute to the STI payout if they are fully met, which means there is no stretch and no threshold on the annual targets. The short-term incentive plan rewards with a cash payment reflecting the realised achievement of targets. The focus areas for the short-term incentive are in line with the current remuneration policy and represent a multi-stakeholder approach as shown below.

Short-term incentive targets

	2015
Underlying cash operating income	30%
Adjusted net cash flow from operating and investing activities	30%
Total financial targets	**60%**
Employees	
Employee engagement	10%
Customers	
Customer satisfaction	10%
Quality score	10%
Environment	
CO_2 reduction	10%
Total non-financial targets	**40%**

Long-term incentive

The long-term incentive represents a potential reward of 37.5% of the annual base salary. The long-term incentive plan contains the following characteristics:

- it is a conditional share plan based on three-year internal targets,
- shares are conditionally allocated to the members of the Board of Management. A conditional dividend equivalent is added to the conditional shares equal to the dividend rights of ordinary shares,
- the conditional shares and their conditional dividend equivalents will vest after a performance period of three years,
- vesting is subject to the extent to which the long-term targets have been achieved,
- the vested shares will remain restricted for a period of two years following the three-year performance period, which is in accordance with the Dutch Corporate Governance Code,
- if a member of the Board of Management leaves the company due to circumstances involving fraud or gross misbehaviour, any accrued rights on the long-term incentive plan will become void, and
- if a member of the Board of Management leaves the company due to other reasons, a pro rata performance and time based vesting applies.

Long-term incentive targets

	2013 - 2016
Underlying net cash income	33.3%
Cost savings	33.3%
New growth initiatives	33.3%
Total long-term targets	**100.0%**

PostNL discloses target ranges in general terms. The vesting schemes and actual target outcomes are specific and thus contain competition-sensitive information. These are therefore not disclosed.

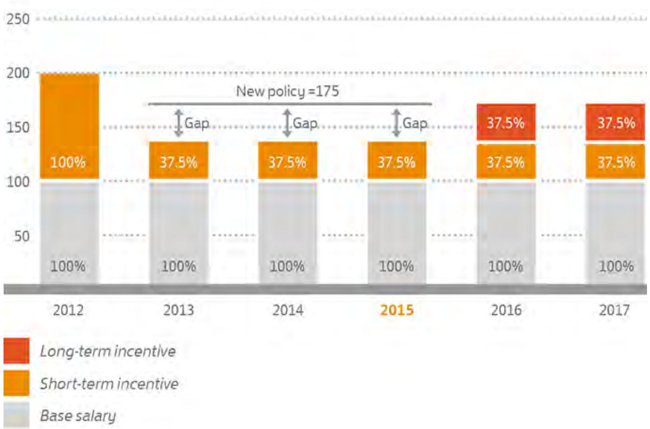
Temporary transition plan

Part of the remuneration policy as adopted by the Annual General Meeting of Shareholders of PostNL on 16 April 2013 is the temporary transition plan. The adopted remuneration policy has a significant impact on the disposable income of the members of the Board of Management both in absolute terms and in terms of timing. The absolute moderation is an intentional effect that is the result of reducing the total maximum variable remuneration potential from 100% to 75% of the annual base salary.

The moderation in time is an unintentional side-effect due to the introduction of a long-term incentive plan via a performance share plan. As the first allocation of shares under the long-term incentive plan will not take place until early 2016, an income gap arises in the years 2013-2015 amounting to 37.5% per year, as the graph below shows.

Remuneration transition plan

(in %)



This temporary transition plan compensates the gap arising in the years 2013 to 2015 and provides for an annual reward of restricted shares over three years, subject to the provision of continued employment. The restricted shares are awarded on the basis of the same annual targets applicable to the short-term incentive. The temporary transition plan ends as of 2016.

In compliance with the Dutch Corporate Governance Code, the members of the Board of Management may not sell their PostNL shares before the earlier of five years from the date of grant or the end of their employment, although any sale of shares for the purpose of using the proceeds to pay for the tax relating to the vesting of these shares is exempted.

Pensions

In 2015, the pension scheme has been adjusted in line with the adjustments for senior management. The main features of the applicable career average pension scheme are:

- retirement age of 67 years,
- pensionable income capped at statutory maximum salary of €100,000 (maximum 2015) offset for state pension,
- annual accrual rate for the old age pension of 1.875%,
- benefits conditionally indexed during accrual,
- employee contribution of 6%, and
- structural annual allowance of 19% of the gross base salary above the statutory maximum and a temporary allowance of 5% of the gross base salary above the statutory maximum (decreasing with 1% per year over the next 5 years) to enable the Board of Management to arrange for their own pension provision for the salary exceeding €100,000.

Other

Besides the elements of the remuneration package as shown, the remuneration policy contains the following (contractual) arrangements and provisions.

Severance payments

The contractual severance payments for the current members of the Board of Management are summarised as follows:

- as a policy, severance payments, other than those related to a change of control, are one year base salary (12 months of base salary), and
- severance payments in the event of a change of control are equal to the sum of the last annual base salary and pension contribution plus the average variable remuneration received over the last three years, multiplied by two.

The company does not grant loans, including mortgage loans, or advance payments. Nor have guarantees been provided to the members of the Board of Management.

Claw-back and change of control

The claw-back legislation imposes a duty upon PostNL to claw back in the event of a change of control if that causes an increase in the value of PostNL shares held by the Board of Management, which have previously been awarded to them as remuneration.

In the event of a change of control, the proceeds of any share grant would be capped.

Discretionary authority

In a general sense, the Supervisory Board has the authority to adjust the remuneration of members of the Board of Management upwards or downwards. Furthermore, the Supervisory Board has the discretionary authority to decide on one-off payments to members of the Board of Management in special circumstances. If and when such a discretionary adjustment is made, a transparent substantiation will be provided, explaining the Supervisory Board's motivation for making use of this discretionary authority.

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

Contractual arrangements

Members of the Board of Management have entered into employment contracts for an indefinite period of time. The employment contract ends either on the date of retirement or by notice of either party. Termination of the contractual arrangements of the Board of Management requires a written notice period of six months.

At the 2015 Annual General Meeting of Shareholders the members of the Board of Management have been reappointed for four years. On expiry of the four-year term, a member of the Board of Management may be reappointed for a successive term of four years. Details of each member's appointment are set out below.

As of 1 January 2013, the Dutch Management and Supervision (Public and Private Companies) Act (Wet bestuur en toezicht) entered into force. With the entry of this legislation, the employment relationship between directors and listed public companies is no longer governed by employment contract law. This legislation will be applicable for any future members of the Board of Management.

Appointment details

	Employed since	Term of employment	Board member since	Year of (re)appointment	Term of appointment
Herna Verhagen	June 1993	Indefinite	2011	2015	Four years
Jan Bos	January 1997	Indefinite	2011	2015	Four years

Actual remuneration in 2015

The table below summarises the 2015 remuneration elements of the members of the Board of Management calculated in accordance with IFRS and the remuneration policy for 2015. Note that IFRS amounts expensed for the period do not necessarily represent the actual compensation payout. For detailed disclosure on the remuneration of the members of the Board of Management, see note 5.1 to the consolidated financial statements.

Remuneration Board of Management

		Fixed remuneration	Variable remuneration						
		Base salary	Accrued for short-term incentive 2015	Accrued for long-term incentive 2015	Accrued for temporary transition plan	Other periodic compensation [1]	Pension costs [2]	Total 2015	Total 2014
Herna Verhagen	Chief Executive Officer	625,000	234,375	181,536	234,375	216,233	22,865	1,514,384	1,534,376
Jan Bos	Chief Financial Officer	475,000	178,125	137,967	178,125	159,586	24,814	1,153,617	1,162,248
Total remuneration		1,100,000	412,500	319,503	412,500	375,819	47,679	**2,668,001**	2,696,624

1. Other periodic compensation include company costs related to tax and social security, pension allowances, company car and other compensation.
2. Pension costs represent the service costs of the defined benefit scheme.

The scorecard contains a summary of achievements of the 2015 variable remuneration Short Term Incentive targets by the members of the Board of Management. In line with the 2015 STI target achievements, the 2015 temporary transition plan shares will be granted to the members of the Board of Management in 2016.

Scorecard against target

	2015
General financial targets	
Underlying cash operating income PostNL	√
Adjusted net cash flow from operating/investing activities	√
General non-financial targets	
Employees	
Engagement survey	√
Customers	
Customer satisfaction	√
Quality score	√
Environment	
CO_2 reduction	√

The Remuneration Committee has assessed the achievements of the members of the Board of Management over the three-year Long Term Incentive period (2013-2015) on the basis of the following targets: Underlying net cash income, Cost savings and New growth initiatives. Overall an average score of 92% has been achieved. The applicable number of performance shares will vest in 2016.

PostNL discloses targets in general terms. The vesting schemes and actual target outcomes are specific and thus contain competition-sensitive information. These are therefore not disclosed.

Remuneration policy for 2016

As the first allocation of shares under the long-term incentive plan takes place in 2016, no further income gap will arise. As of 2016, in line with the remuneration policy, the temporary transition plan therefore comes to an end.

In 2016, the main features of the applicable career average pension scheme are:

- retirement age of 67 years,
- pensionable income capped at statutory maximum salary of €101,519 (maximum 2016) offset for state pension,
- annual accrual rate for the old age pension of 1.62%,
- benefits conditionally indexed during accrual,
- employee contribution of 6%, and
- structural annual allowance of 19% of the gross base salary above the statutory maximum salary and a temporary allowance of 4% of the gross base salary (decreasing with 1% per year over the next 4 years) to enable the Board of Management to arrange for their own pension provision for the salary exceeding €100,000.

No further changes in the remuneration policy are expected for 2016.

Remuneration of members of the Supervisory Board

The remuneration of the current members of the Supervisory Board comprises base pay and a meeting fee linked to attendance of the meetings of the committees of the Supervisory Board. The members of the Supervisory Board receive no compensation related to performance and/or equity and accrue no pension rights with the company. The members of the Supervisory Board receive no severance payments in the event of termination. PostNL does not grant loans, including mortgage loans, advance payments, guarantees and options or shares to any member of the Supervisory Board.

Remuneration of Supervisory Board

(in €)

		Annual base fee
Chairman		55,000
Member		40,000
Committees		**Meeting fee**
Audit and remuneration	Chairman	2,500
	Member	1,500
Nomination	Chairman	1,500
	Member	1,000

For disclosure on the remuneration of individual members of the Supervisory Board, see note 5.1 to the consolidated financial statements.

13 Our tax strategy and policies

In this chapter we provide a high-level overview of our tax strategy, and describe certain pillars on which it has been built. We also explain certain guiding principles on our tax planning, as well as our attitude towards relationships with tax authorities.

Full and transparent tax reporting and compliance

We are committed to being fully compliant with the relevant tax laws and regulations where we conduct our business. At the same time, we endeavour to be fully compliant with the (tax) accounting laws and regulations where we do business. We view transparency as an integral part of sound tax governance, and apply the principles and practices of the Dutch Corporate Governance Code. We act according to these principles and practices in a transparent manner towards our stakeholders and counterparties.

Full control over our tax risk management processes

We carry out thorough assessments for each tax risk. For material risks, such assessments are documented and updated periodically. When assessing tax risks, we analyse a variety of factors. These include the impact on our reputation and the (long-term) relationship with the relevant tax authorities, the particular facts and circumstances, fiscal contents and the financial impact.

Proactive business partnering and support from our tax specialists

We employ professional and motivated tax experts. As the company adapts to changing market circumstances, they utilise their expertise to analyse matters from a tax perspective and propose solutions for the business initiatives in all relevant jurisdictions, reactively and proactively. This approach applies both to tax advisory issues and to tax accounting.

A multi-disciplinary approach towards corporate and tax projects

We take a multi-disciplinary stance when working on corporate projects, transfer pricing and tax planning, involving representatives of our tax, treasury, legal and finance departments, as well as relevant finance directors of the business. Oversight is carried out by our CFO.

Certain guiding principles on tax planning

Our risk appetite towards tax planning requires tax-planning opportunities to have a substantial level of robustness taking into account the factors described above at our tax risk management processes (including reputation). We have a conservative approach in tax planning projects. In addition, our tax planning is guided by the principle of business rationale. In other words, in developing tax-planning initiatives, solid business and/or commercial rationale have to exist.

Maintaining transparent relationships with tax authorities

We have built our relationship with the Dutch tax authorities on the basis of horizontal monitoring. This means that the relationship is based on mutual trust, understanding, and transparency. In such a relationship we pro-actively disclose material tax issues and the Dutch tax authorities deal with such issues in an efficient and constructive fashion. Building towards such a relationship with the Dutch tax authorities has proved to be successful and worthwhile. Based on this positive experience, we strive to build relationships with tax authorities in other countries in a similar fashion, where and when applicable and feasible.

14 PostNL on the capital markets

In this chapter we provide information on our shares and bonds and share ownership, the role of investor relations and their link with the financial community, as well as contact details and our financial calendar for the year ahead.

Shares and share ownership

The shares of PostNL N.V. (ticker: PNL) are listed on Euronext Amsterdam and included in the AMX index. PostNL N.V. shares trade in the United States in the over-the-counter (OTC) market via ADRs. The OTC code is PNLYY. Options on PostNL shares are traded on Euronext Derivatives Amsterdam.

In 2015, 942 million PostNL shares were traded on Euronext Amsterdam (2014: 998 million shares). The average daily number of shares traded was 3.7 million (2014: 3.9 million). The market capitalisation of PostNL was €1,545 million at the end of 2015 (end of 2014: €1,367 million).

PostNL has two eurobonds that are listed on Euronext Amsterdam:

- PNL 5.375% 2017 (ISIN NL10006133175), nominal value €508 million
- PNL 7.5% 2018 (ISIN NL10006380537), nominal value £314 million.

2015 relative performance to the AMX index

PostNL's authorised share capital is divided into 1,500,000,000 shares of €0.08 each and consists of 750,000,000 ordinary shares and 750,000,000 preference shares B. The number of issued and outstanding ordinary shares was 441,570,664 on 31 December 2015 (2014: 440,920,801 shares). In 2015, 649,863 shares were issued for the share plan for employees (2014: 947,504). No preference shares B were issued and outstanding. For more information on PostNL's equity, see note 4.5 to the consolidated financial statements.

Major shareholders

Pursuant to the Financial Markets Supervision Act (Wet op het financieel toezicht), shareholders must disclose percentage holdings in the capital and/or voting rights in the company when such holding reaches, exceeds or falls below 3%, 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95%. Such disclosure must be made to the AFM without delay. Our substantial shareholders are listed in the next table, Overview of substantial shareholders (>3%).

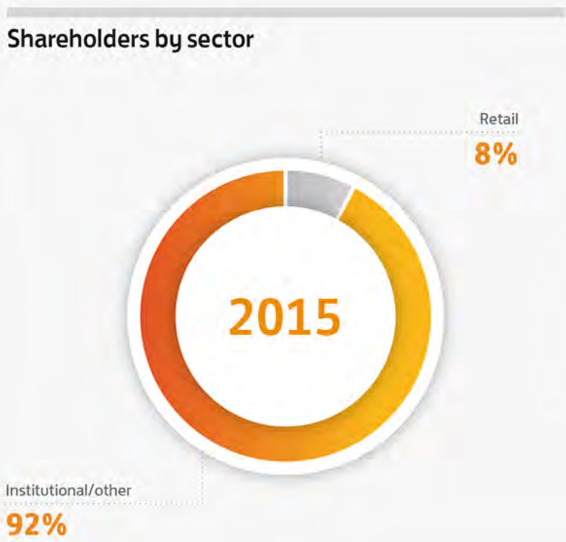
Since November 2012, investors also have to disclose short positions in the company that exceed 0.5% of outstanding shares. At the end of 2015, WorldQuant LLC (1.17%), Oxford Asset Management (0.76%), Capital Fund Management (0.6%) and Marshall Wace LLP (1.84%) had filed a net short position in PostNL.

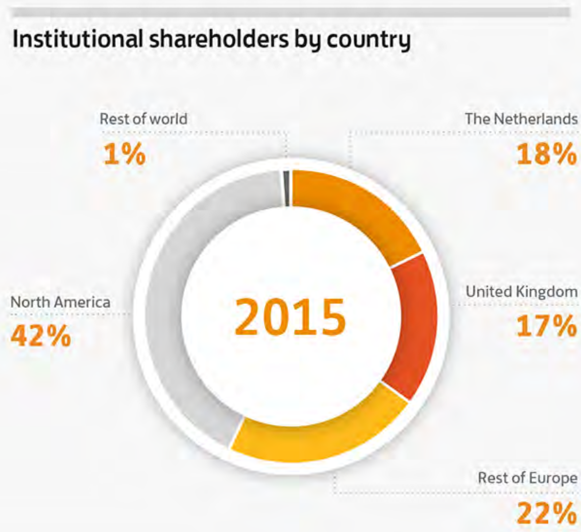
Shareholders by sector and by country

The distribution of our shares between retail and institutional shareholders did not materially change compared to 2014. In 2015, Dutch institutional shareholders held 18% of the outstanding shares of PostNL, up from 12% in 2014, while North American shareholders held 42% of the shares (2014: 41%). This was mainly balanced by shareholders from the United Kingdom and the rest of Europe holding fewer shares.

Overview of substantial shareholders (>3%)

Date of notification	Company	(Indirect) Holding	Holding of (indirect) voting rights)
15 December 2015	HSBC Holdings Plc	3.05%	2.08%
11 December 2015	Causeway Capital Management LLC	10.05%	8.09%
12 November 2015	J.H.H. de Mol	5.04%	5.04%
25 August 2015	BlackRock Inc.	3.09%	3.18%
20 July 2015	Edinburgh Partners	6.82%	5.00%
26 June 2015	Fidelity Management & Research LLC	10.00%	10.00%
3 June 2015	Capfi Delen Asset Management	3.21%	3.21%
28 May 2015	NN Group N.V.	3.05%	3.05%





Investor relations

The main goal of our investor relations' activities is to build our financial brand. To achieve that, we inform the financial community about relevant developments in our company in a transparent and timely way. We maintain an active dialogue with the financial community, and we comply with applicable laws and rules and regulations of Euronext Amsterdam and the Dutch Financial Markets Authority (AFM).

Our investor relations' programme consists of meetings with analysts and investors, conference calls, roadshows, investor conferences and workshops. In addition, PostNL communicates with the financial community through press releases, the publication of the Annual Report, General Meetings of Shareholders and the company's corporate website. In 2015, PostNL visited investors in major financial cities in Europe and North America.

Explanation by the Board of Management of quarterly results is given either at Group meetings and/or conference calls which are accessible by phone and on the corporate website. Meetings with investors are scheduled regularly to ensure the investment community receives a balanced view of the company's strategy, performance and the issues faced by the business.

Results presentations and General Meetings of Shareholders are broadcast via audiocast. The corporate website provides all relevant information with regard to publication dates and procedures to attend or listen in to presentations. For further information, please visit PostNL's corporate website.

Contact between the Board of Management, the financial community and the press is carefully handled and structured. The company will not compromise the independence of analysts in relation to the company and vice versa. Analysts' reports and valuations are not assessed, commented upon or corrected, other than factually, by the company. PostNL does not pay any fees to parties for carrying out research for analysts' reports or for the production or publication of analysts' reports, with the exception of credit rating agencies. Contact with our financial stakeholders is taken care of by the members of the Board of Management, PostNL's investor relations' professionals and, less frequently, by other PostNL employees specifically mandated by the Board of Management.

The Board of Management has adopted investor relations and media guidelines that PostNL employees abide by unless explicitly exempted by the CEO.

For the latest and archived press releases, presentations, share price information and other company information, such as our online Annual Report and interim reports, please visit PostNL's website.

Dividend

PostNL did not declare a final 2014 dividend nor an interim 2015 dividend.

The conditions for paying out a dividend are positive consolidated equity and certainty of a BBB+/Baa1 credit rating. Both conditions were not met in 2015. Accordingly, there will be no 2015 dividend proposal. In addition, negative distributable corporate equity of -€1 million at 31 December 2015 restricts the payout of dividend.

PostNL is committed to improving the company's financial position in order to resume paying dividend as early as possible.

It is PostNL's intention to pay out a dividend per share that develops substantially in line with the development of our operational performance. PostNL aims for a dividend payout of around 75% of underlying net cash income. PostNL anticipates paying interim and final dividends annually in an optional dividend, which means shareholders can decide whether they want to receive cash or shares. The interim dividend will be set at 75% of the underlying net cash income over the first half of the year. Underlying net cash income is defined as 'profit attributable to equity holders of the parent' adjusted for significant one-off and special items, cash out from provisions and additional cash pension contributions. This normalisation adjustment is based on the underlying cash operating income, separately reported as one of the key performance indicators of the company.

PostNL considers the ordinary shares it holds in TNT Express as a purely financial stake. Until a dividend is restored, PostNL will not return to shareholders any dividends or net dividends received on its TNT Express shares.

The Reserves and Dividend Guidelines are available on PostNL's corporate website.

Financial calender 2016

Financial calendar 2016

29 February	Results fourth quarter and full year 2015
19 April	Annual General Meeting of Shareholders
9 May	Results first quarter 2016
8 August	Results second quarter and half year 2016
7 November	Results third quarter 2016

Contact details

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Performance Statements

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Consolidated primary statements

Consolidated income statement

(in € millions)

Year ended at 31 December	Notes	2015	2014 represented
Net sales		3,449	3,454
Other operating revenue		12	11
Total operating revenue	2.1.1	**3,461**	3,465
Other income		4	8
Cost of materials		(66)	(74)
Work contracted out and other external expenses	2.1.2	(1,638)	(1,560)
Salaries, pensions and social security contributions	2.1.3	(1,171)	(1,165)
Depreciation, amortisation and impairments	2.1.4	(93)	(100)
Other operating expenses	2.1.5	(157)	(172)
Total operating expenses		**(3,125)**	(3,071)
Operating income		**340**	402
Interest and similar income		12	11
Interest and similar expenses		(90)	(105)
Net financial expense	2.2	**(78)**	(94)
Results from investments in jv's/associates	3.6	(2)	(1)
Profit/(loss) before income taxes		**260**	307
Income taxes	2.2	(77)	(83)
Profit/(loss) from continuing operations		**183**	224
Profit/(loss) from discontinued operations	3.8	(34)	2
Profit for the year		**149**	226
Attributable to:			
Non-controlling interests		0	1
Equity holders of the parent		149	225
Earnings per ordinary share (in € cents) [1]	2.2	33.8	51.1
Earnings per diluted ordinary share (in € cents) [2]	2.2	33.7	51.0
Earnings from continuing operations per ordinary share (in € cents)		41.5	50.6
Earnings from continuing operations per diluted ordinary share (in € cents)		41.4	50.5
Earnings from discontinued operations per ordinary share (in € cents)		(7.7)	0.5
Earnings from discontinued operations per diluted ordinary share (in € cents)		(7.7)	0.5

1. Earnings per ordinary share are in 2015 based on an average of 441,346,233 outstanding ordinary shares (2014: 440,593,717).
2. Earnings per diluted ordinary share are in 2015 based on an average of 442,516,836 ordinary shares on a fully diluted basis in the year (2014: 441,462,855).

The accompanying notes form an integral part of the financial statements.

Consolidated statement of comprehensive income

(in € millions)

Year ended at 31 December	Notes	2015	2014 represented
Profit for the year		**149**	226
Actuarial gains/(losses) pensions, net of tax	*3.4*	248	(189)
Pension asset ceiling/minimum funding requirement, net of tax	*3.4*	(203)	145
Share other comprehensive income jv's/associates		1	0
Other comprehensive income that will not be reclassified to the income statement		**46**	(44)
Currency translation adjustment, net of tax from continuing operations		1	1
Currency translation adjustment, net of tax from discontinued operations		(9)	2
Gains/(losses) on cashflow hedges, net of tax		2	5
Change in value of available-for-sale financial assets	*4.2*	181	(97)
Other comprehensive income that may be reclassified to the income statement		**175**	(89)
Total other comprehensive income for the year		**221**	(133)
Total comprehensive income for the year		**370**	93
Attributable to:			
Non-controlling interests		0	1
Equity holders of the parent		370	92
Total comprehensive income attributable to the equity holders of the parent arising from:			
Continuing operations		413	88
Discontinued operations		(43)	4

The accompanying notes form an integral part of the financial statements.

Consolidated statement of cash flows

(in € millions)

Year ended at 31 December	Notes	2015	2014 represented
Profit/(loss) before income taxes		**260**	307
Adjustments for:			
Depreciation, amortisation and impairments		**93**	100
Share-based payments		**4**	3
(Profit)/loss on assets held for sale		(4)	(5)
Interest and similar income		(12)	(11)
Interest and similar expenses		90	105
Results from investments in jv's/associates		2	1
Investment income		**76**	90
Pension liabilities		(43)	(83)
Other provisions		(44)	(43)
Changes in provisions		**(87)**	(126)
Inventory		0	0
Trade accounts receivable		18	7
Other accounts receivable		0	(4)
Other current assets		(7)	(9)
Trade accounts payable		8	(2)
Other current liabilities excluding short-term financing and taxes		27	(7)
Changes in working capital		**46**	(15)
Cash generated from operations		**392**	359
Interest paid		(73)	(86)
Income taxes received/(paid)		(105)	(71)
Net cash (used in)/from operating activities	*2.4.1*	**214**	202
Interest received		4	2
Dividend received		3	7
Acquisition of subsidiaries (net of cash)		(5)	
Capital expenditure on intangible assets		(36)	(26)
Capital expenditure on property, plant and equipment		(55)	(57)
Proceeds from sale of property, plant and equipment		9	13
Other changes in (financial) fixed assets		1	
Net cash (used in)/from investing activities	*2.4.2*	**(79)**	(61)
Repayments of long-term borrowings		(2)	0
Proceeds from short-term borrowings		1	1
Repayments of short-term borrowings		(363)	(7)
Repayments of finance leases		(1)	(1)
Net cash used in financing activities	*2.4.3*	**(365)**	(7)
Total change in cash and cash equivalents		**(230)**	134
Cash and cash equivalents at the beginning of the year		**585**	451
Total change in cash and cash equivalents		(230)	134
Cash and cash equivalents at the end of the year		**355**	585
Total change in cash from discontinued operations	*3.8*	**(9)**	(17)

The accompanying notes form an integral part of the financial statements.

Consolidated statement of financial position

(in € millions)

	Notes	At 31 December 2015	At 31 December 2014
Assets			
Goodwill		90	84
Other intangibles		56	46
Intangible fixed assets	3.3	**146**	130
Land and buildings		343	349
Plant and equipment		134	119
Other		23	26
Construction in progress		8	25
Property, plant and equipment	3.2	**508**	519
Investments in joint ventures/associates	3.6	33	34
Other loans receivable	4.1	7	8
Deferred tax assets	3.7	37	51
Other financial fixed assets	4.1	21	0
Available-for-sale financial assets	4.2	626	445
Financial fixed assets		**724**	538
Total non-current assets		**1,378**	1,187
Inventory		5	5
Trade accounts receivable	3.1.1	337	355
Accounts receivable	3.1.1	34	34
Income tax receivable		3	2
Prepayments and accrued income		126	116
Cash and cash equivalents	4.1	355	585
Total current assets		**860**	1,097
Assets classified as held for sale	3.8	13	193
Total assets		**2,251**	2,477
Equity and liabilities			
Equity attributable to the equity holders of the parent		(223)	(597)
Non-controlling interests		7	7
Total equity	2.3	**(216)**	(590)
Deferred tax liabilities	3.7	35	36
Provisions for pension liabilities	3.4	449	538
Other provisions	3.5	61	90
Long-term debt	4.1	934	912
Accrued liabilities		2	1
Total non-current liabilities		**1,481**	1,577
Trade accounts payable		159	151
Other provisions	3.5	50	64
Short-term debt	4.1	1	363
Other current liabilities	3.1.2	169	184
Income tax payable		30	56
Accrued current liabilities	3.1.3	577	540
Total current liabilities		**986**	1,358
Liabilities related to assets classified as held for sale	3.8		132
Total equity and liabilities		**2,251**	2,477

The accompanying notes form an integral part of the financial statements.

Consolidated statement of changes in equity

(in € millions)

	Issued share capital	Additional paid-in capital	Currency translation reserve	Hedge reserve	Available-for-sale financial assets	Other reserves	Retained earnings	Attributable to equity holders of the parent	Non-controlling interests	Total equity
Balance at 31 December 2013	35	147	9	(14)	44	(1,670)	757	**(692)**	6	**(686)**
Total comprehensive income			3	5	(97)	(44)	225	92	1	93
Appropriation of net income						935	(935)	0		0
Share-based compensation		3				0		3		3
Balance at 31 December 2014	35	150	12	(9)	(53)	(779)	47	**(597)**	7	**(590)**
Total comprehensive income			(8)	2	181	46	149	370	0	370
Appropriation of net income						178	(178)	0		0
Share-based compensation		3				1		4		4
Balance at 31 December 2015	35	153	4	(7)	128	(554)	18	**(223)**	7	**(216)**

Section 1: Basis of preparation

In this section...

This section sets out the Group's accounting principles that relate to the consolidated financial statements as a whole. At the beginning of each section, we give an overview of the items explained in that section. Where an accounting policy is specific to one note, the policy is described in the section's note to which it relates.

This section further describes the critical accounting estimates and judgements, or areas where assumptions and estimates are significant to the consolidated financial statements, such as post-employment benefits and restructuring.

This section also explains the changes in accounting policies and disclosures, resulting from new and amended accounting standards and interpretations, whether they are effective in 2015 or later years, and their impact.

1.1 General information

PostNL N.V. is a public limited liability company with its registered seat and head office in The Hague, the Netherlands. PostNL provides businesses and consumers in the Benelux, Germany and Italy with an extensive range of services for their mail needs. PostNL's services involve collecting, sorting, transporting and delivering letters and parcels for the company's customers within specific timeframes. The company also provides services in the area of data and document management, direct marketing and fulfilment.

The consolidated financial statements include the financial statements of PostNL N.V. and its consolidated subsidiaries (hereafter referred to as 'PostNL', 'Group' or 'the company'). PostNL holds a share of 14.6% in TNT Express N.V. ('TNT Express'). Both PostNL and TNT Express are listed on Euronext in Amsterdam.

The consolidated financial statements were authorised for issue by PostNL's Board of Management and Supervisory Board on 29 February 2016 and are subject to adoption at the Annual General Meeting of Shareholders on 19 April 2016.

1.2 Accounting principles applied

The consolidated financial statements of PostNL:

- have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), including International Accounting Standards (IAS) and related interpretations of the IFRS Interpretations Committee (IFRICs), and Dutch law,
- have been prepared under the historical cost convention, except for financial instruments, and
- have been prepared assuming a going concern.

The significant accounting policies applied in the preparation of these consolidated financial statements are included at the relevant notes to the consolidated financial statements or, in case of more general policies, in note 5.4 to the consolidated financial statements. These policies have been consistently applied to all the years presented, unless stated otherwise. All amounts included in the consolidated financial statements are presented in euros, unless stated otherwise.

Management buy-out of Whistl – UK activities reported as discontinued operations

At 23 October 2015, PostNL completed a management buy-out of Whistl, our UK business entity. As part of the transaction, PostNL will retain 17.5% of the shares in Whistl and will continue to support the business as a shareholder. Up to completion, Whistl has been reported as 'held for sale' and the results and cash flows have been reported as 'discontinued operations'. The comparative figures of 2014 have been represented for the change to 'discontinued operations'. As from completion, the stake in Whistl is classified as an investment in associates. For further details, see notes 3.8 Assets classified as held for sale and 3.6 Investments in joint ventures and associates to the consolidated financial statements.

Classification of the stake in TNT Express as available-for-sale financial asset

In accordance with IAS 39, the 14.6% stake in TNT Express is considered an available-for-sale financial asset measured at fair value with gains and losses arising from changes in the fair value recognised in other comprehensive income. For further details, see note 4.2 to the consolidated financial statements.

Going concern

Despite negative consolidated equity, based on the cash flow-generating capability of the company, the current finance structure and the company's ability to realise its assets and discharge its liabilities in the normal course of business, PostNL's financial statements have been prepared assuming a going concern.

In 2015, the company continued its steps towards recovery via a solid financial performance driven by further cost savings and price increases, helped by the value increase of the stake in TNT Express and the increase in pension interest rates. Consolidated equity attributable to the equityholders of the parent improved by €374 million to -€223 million. Corporate equity increased by €221 million to €2,204 million. Also, net cash from operating and investing activities positively contributed €135 million to our cash flow balance.

The negative consolidated equity does not impact the company's operations, the timing of debt reductions, access to the available credit facility or the stock exchange listing. As at 31 December 2015, the balance of cash and cash equivalents amounted to €355 million and the company has an undrawn multi-currency revolving credit facility of €400 million. Its financing arrangements do not include financial covenants. Bond repayments are not due until 2017. The company has an investment in TNT Express that can be monetised over time, and although the company remains vulnerable to interest rate changes in relation to its pension obligations, it can also benefit from an environment of increasing interest rates.

The company aims to continue to improve its liquidity and solvency. In the light of measures already taken or planned, management is confident it will be able to recover towards a positive consolidated equity balance.

1.3 Critical accounting estimates and judgements

The preparation of PostNL's consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. It also requires management to exercise its judgement in the process of applying PostNL's accounting policies.

Estimates, assumptions and judgements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting positions will, by definition, seldom equal the related actual results. On a continuous basis, we evaluate our expectations with the actual results, and include the learnings going forward.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed below.

Post-employment benefits

Post-employment benefit accounting is intended to reflect the recognition of future benefit costs over the employee's approximate service period, based on the terms of the plans and the investment and funding decisions made. The accounting requires the company to make assumptions regarding variables such as the discount rate, the rate of benefit increases and future mortality rates. Changes in these key assumptions can have a significant impact on the defined benefit obligations, funding requirements and pension cost incurred. For details of the current funded status and a sensitivity analysis with respect to defined benefit plan assumptions, see note 3.4 to the consolidated financial statements.

Restructuring

Restructuring charges mainly result from restructuring of our operations and overhead as a response to declining volumes in Mail in the Netherlands. The scope and measurement of PostNL's related restructuring provision depends highly on the projected cash outflows over the future years, which are mainly driven by the estimated number of staff that will either be made redundant or apply for a mobility arrangement. For details on the current restructuring provision, see note 3.5 to the consolidated financial statements.

Impairment of assets

In determining impairments of intangible assets including goodwill, tangible fixed assets and financial fixed assets, management must make significant judgements and estimates to determine whether the recoverable amount is less than the carrying value. The recoverable amount is the higher of the fair value less costs of disposal and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the asset-specific risks. Determining cash flows requires the use of judgements and estimates that have been included in PostNL's strategic plans and long-term forecasts. The data necessary for the execution of the impairment tests are based on management estimates of future cash flows, which make it necessary to estimate revenue growth rates and profit margins.

Impairment of receivables

The risk of uncollectability of accounts receivable is primarily estimated based on prior experience with, and the past due status of, doubtful debtors. Large accounts are assessed individually based on factors that include ability to pay, bankruptcy and payment history. In addition, debtors in certain countries are subject to a higher collectability risk, which is taken into account when assessing the overall risk of uncollectability.

Deferred revenue and revenue related accruals

PostNL has to estimate the deferred revenues from stamps sold but not yet used by its customers. The company uses a seasonal model based on historical figures in order to account for the seasonal effects on sales from stamps (for example, stamp sales for Christmas greetings in November and December). Within the segment International, revenue is for a substantial part pass-through revenue, for which the local incumbent performs the last mile activities. At period ends, management has to estimate the unbilled expenses and contractually agreed discounts and rebates related to the volumes handled. Additionally, the company handles large quantities of international mail and parcel volumes to and from foreign postal operators. Although the net outstanding accrual positions reflect our best estimate, given the assumptions involved, final settlements might deviate from the outstanding positions.

Income taxes and deferred tax assets

The company is subject to income taxes in a number of jurisdictions. Significant judgement is required in determining the provision and liability for income taxes. PostNL recognises liabilities for potential tax issues based on estimates of whether additional taxes will be due, based on its best interpretation of the relevant tax laws and rules. PostNL recognises deferred tax assets to the extent that it is probable that future taxable profits will allow the deferred tax asset to be recovered. This is based on estimates of taxable income by jurisdiction in which the company operates and the period over which deferred tax assets are recoverable.

Contingent liabilities

Legal proceedings covering a range of matters are pending against the company in various jurisdictions. The cases and claims often raise difficult and complex factual and legal issues that are subject to many uncertainties and complexities, including but not limited to the facts and circumstances of each particular case and claim, the jurisdiction and the differences in applicable law. PostNL consults with legal counsel and certain other experts on matters related to litigation. PostNL recognises a liability when it is determined that an adverse outcome is probable and the amount of the loss can be reasonably estimated.

1.4 Changes in accounting policies and disclosures

The following table provides a brief description of recent issued International Financial Reporting Standards, amendments and/or interpretations, that could have a material impact on our financial statements.

Changes in accounting policies

	Description	Date of adoption	Effect on the financial statements
Standards that are adopted			
None, not applicable			
Standards that are not yet adopted			
IFRS 9 'Financial instruments'	IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities.	No later than 1 January 2018	The Group has yet to assess the full impact of this standard.
IFRS 15 'Revenue from contracts with customers'	IFRS 15 specifies how and when revenue should be recognised and requires to provide users of financial statements with more informative disclosures.	No later than 1 January 2018	The Group has yet to assess the full impact of this standard.
IFRS 16 'Leases'	IFRS 16 establishes the principles that entities would apply to report useful information to investors and analysts about the amount, timing and uncertainty of cash flows arising from a lease. To meet that objective, a lessee should recognise assets and liabilities arising from a lease.	No later than 1 January 2019	The Group has yet to assess the full impact of this standard.

Section 2: Result for the year

In this section...

This section sets out the Group’s results and performance over 2015, from a profit, cash flow and equity perspective. It concludes with the performance of our reportable segments.

We analyse the Group’s profit for the year in two separate steps. First we focus on our operating income by reference to the activities performed by the Group and an analysis of our key operating costs. Thereafter we focus on the net profit and earnings per share by exploring the financial results –which mainly consists of interest expenses– and the income tax charge.

Next, we analyse this year’s cash flow performance of the Group. The cash flow-generating capability of the Group is essential for the continuity of our company. We explain the difference in accounting for income and expenses from actual cash in and cash out flows. In our analysis, we separate the cash flow performance of our operating, investing and financing activities.

Thirdly, we disclose the material developments underlying the equity performance of the year. Together with the net profit for the year, equity is mainly impacted by developments in our pension liabilities and the value of the stake in TNT Express.

This section concludes with segmental information of our performance. We disclose the contribution of our reportable segments to total operating revenue and operating income. Furthermore, we report on our non-recurring and exceptional items during the year.

2.1 Operating income

2.1.1 Total operating revenue: 3,461 million (2014: 3,465)

Accounting policies

Revenue recognition
PostNL's normal business operations consist of the provision of postal and logistics services. Revenue is recognised when services are rendered, goods are delivered or work is completed. Revenue is the gross inflow of economic benefits during the current year that arise from ordinary activities and result in an increase in equity, other than increases relating to contributions from equity participants. Revenue is measured at the fair value of the consideration of received amounts or receivable amounts.

Contracted services that have not yet been rendered by PostNL on the balance sheet date, as well as outstanding customer repayments for stamps and frankings, are designated as deferred income. Amounts received in advance are recorded as accrued liabilities until services are rendered to customers or goods are delivered.

Net sales
Net sales represent revenue from the delivery of goods and services to third parties less discounts, credit notes and taxes levied on sales. Accumulated experience is used to estimate and provide for the discounts and return shipments.

Other operating revenue
Other operating revenue relates to the sale of goods and rendering of services not related to PostNL’s ordinary postal and logistics services and mainly include rental income of temporarily leased-out property and custom clearance income.

The following table presents PostNL's total operating revenue, being the sum of the revenue of the reported operating segments adjusted for intercompany transactions.

Operating revenue

(in € millions)

Year ended at 31 December	2015	2014
Mail in the Netherlands	1,961	2,044
Parcels	917	854
International	983	921
PostNL Other	188	196
Eliminations	(588)	(550)
Total	**3,461**	3,465

Volume and revenue growth within Parcels and International was offset by decreased revenue within Mail in the Netherlands, mainly resulting from the continued volume decline in addressed and unaddressed mail.

The following table presents the geographical segmentation of total operating revenue. The basis of allocation of operating revenue by geographical area is the country or region in which the entity recording the sales is located.

Geographical segmentation

(in € millions)

Year ended at 31 December	2015	2014
The Netherlands	2,516	2,576
Germany	507	495
Italy	242	243
Rest of Europe	116	114
Europe	**3,381**	3,428
Rest of the World	80	37
Total	**3,461**	3,465

Revenue growth in 'Rest of the World' mainly related to increased volumes of Spring Global Delivery Solutions in Asia.

2.1.2 Work contracted out and other external expenses: 1,638 million (2014: 1,560)

Accounting policies

Operating expenses related to ordinary activities are recognised on an accrual basis. In case it is not possible to directly relate the operating expenses to a particular income earned or expected future income, these expenses are recognised in the period incurred.

Operating leases

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement as incurred during the period of the lease.

Work contracted out and other external expenses

(in € millions)

Year ended at 31 December	2015	2014
Mail in the Netherlands	305	268
Parcels	406	367
International	610	609
PostNL Other	99	99
Subcontractors & other work contracted out	**1,420**	1,343
Rent & lease expenses	87	90
External temporary staff	131	127
Total	**1,638**	1,560

Costs for subcontractors and other work contracted out increased by €77 million in 2015. Within Mail in the Netherlands, the increase resulted from higher terminal dues payable to foreign postal operators. Within Parcels, the increase resulted from both higher revenue and increased compensation.

2.1.3 Salaries, pensions and social security contributions: 1,171 million (2014: 1,165)

Salaries, pensions and social security contributions

(in € millions)

Year ended at 31 December	2015	2014
Salaries	885	916
Social security charges	143	154
Salaries and social security charges	**1,028**	1,070
Defined benefit plans	125	111
Past service costs	(1)	(36)
Defined contribution plans	12	10
Pension charges	**136**	85
Net addition to restructuring provisions	3	7
Share-based payments	4	3
Total	**1,171**	1,165

In 2015, costs of salaries and social security charges decreased by €42 million to €1,028 million, mainly due to a reduction of the workforce following the restructuring programmes in the Netherlands. As an offsetting effect, pension charges increased by €51 million in 2015, mainly resulting from €14 million higher regular defined benefit charges and a €35 million lower contribution from past service costs. More detailed information on pensions is included in note 3.4.

Labour force

	2015	2014
Headcount		
Mail in the Netherlands	40,185	43,412
Parcels	3,291	3,174
International	4,666	4,703
PostNL Other	1,032	1,075
Total at year end	**49,174**	52,364
External agency staff at year end	6,036	5,461
Full-time equivalents (FTEs)		
Mail in the Netherlands	17,378	18,656
Parcels	2,810	2,719
International	3,856	3,953
PostNL Other	1,030	1,033
Total year average	**25,074**	26,361

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

The total headcount of PostNL decreased by 3,190 employees, which mainly relates to the reduction within Mail in the Netherlands due to the impact of volume decline and cost savings initiatives. The labour force is also measured in FTEs based on the hours worked divided by the local standard. In 2015, the average number of FTEs decreased by 1,287 FTEs compared to 2014.

The reported employees match the number of personnel paid through payroll. For work contracted out see above.

2.1.4 Depreciation, amortisation and impairments: 93 million (2014: 100)

Depreciation, amortisation and impairments

(in € millions)

Year ended at 31 December	2015	2014
Amortisation of intangible assets	26	26
Depreciation property, plant and equipment	65	70
Impairment of property, plant and equipment	1	3
Impairment of assets held for sale	1	1
Total	**93**	100

In 2015, amortisation of intangible assets related to software for €24 million (2014: 24) and other intangibles for €2 million (2014: 2). Depreciation of property, plant and equipment was €5 million lower compared to 2014, mainly relating to Mail in the Netherlands.

2.1.5 Other operating expenses: 157 million (2014: 172)

The other operating expenses consist of IT, communication, office, travel, consulting and training expenses and other shared services costs. In 2015, total incurred PwC fees related to continuing operations amounted to €2.4 million (2014: 2.5).

Audit fees

(in € millions)

Year ended at 31 December	2015	2014
Audit fees	2.3	2.4
Audit related fees	0.1	0.1
Tax advisory fees	0.0	0.0
Other fees	0.0	0.0
Total	**2.4**	2.5

Audit fees include fees from the audit of the financial statements, the corporate responsibility information and the regulatory audit. Audit-related services include specific audit procedures for employee benefit plan audits and other assurance engagements for the benefit of third parties.

In accordance with Dutch legislation, article 2:382a of the Dutch Civil Code, the total audit and audit-related fees charged by the auditor PwC based in the Netherlands amounted to €2.0 million (2014: 2.2).

2.2 Net profit and earnings per share

Net financial expense: 78 million (2014: 94)

Accounting policies

Interest income and expense are recognised on a time-proportionate basis using the effective interest method. All borrowing costs are recognised in profit or loss using the effective interest method, except to the extent that they can be capitalised as cost of a qualifying asset.

Net financial expense

(in € millions)

Year ended at 31 December	2015	2014
Interest expenses on long term borrowings	(69)	(75)
Interest on net defined benefit pension liabilities	(13)	(20)
Interest on taxes	(2)	(3)
Hedge reserve recycled to profit and loss	(1)	(2)
Net foreign exchange gains and other	(5)	(5)
Interest and similar expense	**(90)**	(105)
Interest income	10	5
Dividend TNT Express	2	6
Interest and similar income	**12**	11
Net financial expense	**(78)**	(94)

In 2015, interest expenses on long-term borrowings decreased as a result of the repayment of a bond in June 2015.

Income taxes: 77 million (2014: 83)

Accounting policies

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in other comprehensive income. The amount of income tax included in the income statement is determined in accordance with the rules established by the taxation authorities, based on which income taxes are payable or recoverable.

Income taxes

(in € millions)

Year ended at 31 December	2015	2014
Current tax expense	79	70
Changes in deferred taxes	(2)	13
Total income taxes	**77**	83
Income taxes paid	**105**	71

The difference between the total income taxes in the income statement and the current tax expense is due to temporary differences. These differences are recognised as deferred tax assets or deferred tax liabilities, see note 3.7 to the consolidated financial statements.

In 2015, the income taxes paid relate almost completely to income taxes paid in the Netherlands and include payments related to prior years.

Effective income tax rate

(in percentages)

Year ended at 31 December	2015	2014
Dutch statutory income tax rate	25.0	25.0
Adjustment regarding effective income tax rates other countries	(0.1)	0.6
Weighted average statutory tax rate	**24.9**	25.6
Tax effects of:		
Non and partly deductible costs	0.8	0.6
Exempt income	0.2	0.1
Other	3.9	1.3
Effective income tax rate - before impact of stake TNT Express	**29.8**	27.6
Impact of stake TNT Express	(0.2)	(0.6)
Effective income tax rate	**29.6**	27.0

The line 'Non and partly deductible costs' mainly relates to the non deductible treatment of our share-based payments and of the so-called mixed expenses (e.g., meals, entertainment). The line 'Exempt income' relates to the non-taxable treatment of our results from joint ventures and associates (mainly Postkantoren B.V./Bruna B.V. and our German joint ventures). The line 'Other' consists mainly of the combined impact of irrecoverable tax losses for which no deferred tax assets could be recognised (2.6%) and updates to tax positions (1.2%).

The impact of the stake in TNT Express relates to the non-taxable dividend income received from TNT Express of €2 million (2014: 6).

Earnings per share

Accounting policies

PostNL presents (diluted) earnings per share (EPS) for its ordinary shares. EPS is calculated by dividing the profit or loss attributable to the equity holders of the parent by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is calculated by dividing the profit or loss attributable to the equity holders of the parent by the weighted average number of ordinary shares outstanding, including the effects for dilution of ordinary shares following the obligations to employees under existing share plans.

The following table summarises the outstanding shares for PostNL's calculation related to earnings per share.

(Average) number of outstanding ordinary shares

(in shares)

Year averages and numbers at 31 December	2015	2014
Number of issued and outstanding ordinary shares	441,570,664	440,920,801
Shares held by the company to cover share plans	0	0
Average number of ordinary shares per year	441,346,233	440,593,717
Diluted number of ordinary shares per year	1,170,603	869,138
Average number of ordinary shares per year on a fully diluted basis	**442,516,836**	441,462,855

At 31 December 2015, PostNL had potential obligations under share plans to deliver 1,170,603 shares (2014: 869,138), calculated based on the share price of €3.50 as at 31 December 2015 (31 December 2014: €3.10).

2.3 Other comprehensive income and equity development

Total equity: -216 million (2014: -590) and Other comprehensive income: 221 million (2014: -133)

The increase of total equity by €374 million is mainly explained by net profit for the year of €149 million and other comprehensive income of €221 million. Other comprehensive income mainly consisted of a positive fair value change of our stake in TNT Express of €181 million and a positive impact from pensions of €45 million.

Equity attributable to the equity holders of PostNL consisted of the following items:

Issued share capital and Additional paid-in-capital

As at 31 December 2015, issued share capital amounted to €35 million (2014: 35) and additional paid-in-capital amounted to €153 million (2014: 150). For details on Issued share capital and Additional paid-in capital, reference is made to note 4.5.

Currency translation reserve

As at 31 December 2015, the translation reserve amounted to €4 million (2014: 12), mainly reflecting the movement in exchange rate differences on converting subsidiaries within the International segment into euros. In 2015, an amount of €11 million was recycled from the translation reserve to the income statement related to the sale of 82.5% of Whistl in the UK.

Hedge reserve

As at 31 December 2015, the hedge reserve amounted to -€7 million (2014: -9) and mainly related to the fair value timing difference on the £225/€284 million and £89/€112 million cross-currency swaps.

The £225/€284 million and £89/€112 million cross-currency swaps have been entered into to hedge foreign currency exposure on the £314 million eurobonds which were issued in 2008 for an initial amount of £450 million.

The tax impact on the cash flow hedges included in the hedge reserve as at 31 December 2015 is €3 million (2014: 3). For more information on the cross-currency swaps, see note 4.4 to the consolidated financial statements.

Available-for-sale financial assets

As at 31 December 2015, the reserve relating to the available-for-sale financial assets amounted to €128 million (2014: -53). The increase in the reserve relates to the change in value of the remaining 14.6% stake in TNT Express of €181 million (2014: -97) as a result of the increase of the share price from TNT Express from €5.54 per 31 December 2014 to €7.79 per 31 December 2015. Reference is made to note 4.2.

Other reserves

As at 31 December 2015, the other reserves amounted to -€554 million (2014: -779). In 2015, the other reserves increased by €225 million mainly resulting from the appropriation of net income from 2014 of €178 million and a positive pension effect within other comprehensive income (net of tax) of €45 million. This pension effect of €45 million (2014: -44) related to actuarial gains/(losses) for €248 million (2014: -189) and to the impact resulting from the pension asset ceiling/minimum funding requirement for -€203 million (2014: 145). Reference is made to note 3.4 for more detailed information.

Retained earnings

As at 31 December 2015, retained earnings amounted to €18 million (2014: 47). In 2015, retained earnings declined by €29 million due to the appropriation of net income from 2014 of €178 million and total profit for the year of €149 million in 2015.

The Board of Management has proposed to add €7 million to the other reserves (2014: 178). Refer to 'Other information' in section 7 for more details of this proposal.

2.4 Cash flow performance

Accounting policies

The consolidated statement of cash flows is prepared in according with IAS 7 using the indirect method. Cash flows in foreign currencies are translated at average exchange rates. Receipts and payments with respect to taxation on profits and interest payments are included in the cash flow from operating activities. Interest receipts and the cost of acquisition of subsidiaries, associates and investments, insofar as it was paid for in cash, are included in cash flows from investing activities. Acquisitions of subsidiaries are presented net of cash balances acquired. Cash flows from derivatives are recognised in the statement of cash flows in the same category as those of the hedged item.

2.4.1 Net cash (used in)/from operating activities: 214 million (2014: 202)

In 2015, net cash from operating activities of €214 million (2014: 202) resulted from €392 million of cash generated from operations (2014: 359) reduced by €73 million interest paid (2014: 86) and €105 million tax paid (2014: 71).

Cash generated from operations

The increase in cash generated from operations of €33 million is mainly explained by €67 milion lower profit before income tax adjusted for non-cash items, offset by a lower change in pension liabilities of €40 million and a change in working capital of €61 million.

Cash generated from operations

(in € millions)

Year ended at 31 December	2015	2014
Total profit before tax adjusted for non cash items	**433**	500
Pension expense defined benefit plans	125	111
Past service pension cost	(1)	(36)
Cash contributions defined benefit plans	(135)	(158)
Payment unconditional funding obligation	(32)	
Change in pension liabilities	**(43)**	(83)
Additions to/releases from provisions	6	8
Withdrawals	(50)	(51)
Change in other provisions	**(44)**	(43)
Changes in working capital	46	(15)
Total cash generated from operations	**392**	359

For the changes in provisions, reference is made to note 3.4 Provisions for pension liabilities and to note 3.5 Other provisions. The change in working capital improved due to continued focus on payment behaviour of our customers and on payment terms of our suppliers.

Interest paid

The interest paid is explained as follows:

Interest paid

(in € millions)

Year ended at 31 December	2015	2014
Interest on long term borrowings	69	69
Interest on taxes	1	14
Bank charges and other	3	3
Total	**73**	86

Income taxes received/(paid)

The income taxes paid of €105 million (2014: 71) related almost completely to income taxes paid in the Netherlands and include payments related to prior years.

2.4.2 Net cash (used in)/from investing activities: -79 million (2014: -61)

Net cash investing activities

(in € millions)

Year ended at 31 December	2015	2014
Capital expenditure on intangible assets and property, plant and equipment	(91)	(83)
Proceeds from sale of property, plant and equipment	9	13
Other	3	9
Net cash (used in)/from investing activities	**(79)**	(61)

Capital expenditure on intangible assets and property, plant and equipment

In 2015, capital expenditures on other intangible assets of €36 million (2014: 26) mostly related to software including prepayments for software. The capital expenditures on property, plant and equipment amounting to €55 million (2014: 57) mainly related to the new sorting and delivery centres within Parcels and equipment in Mail in the Netherlands (mainly related to new sorting machines). Capital expenditures are funded primarily by cash generated from operations and are part of strict cash control and review.

Proceeds from sale of property, plant and equipment

In 2015, proceeds from the sale of property, plant and equipment amounted to €9 million (2014: 13) and mainly related to the sale of several buildings.

Other

In 2015, a cash outflow of €5 million related to the acquisition of DM Production B.V. and an amount of €2 million (2014: 6) related to dividend received from the stake in TNT Express. Reference is made to note 5.3 Business combinations.

2.4.3 Net cash (used in)/from financing activities: -365 million (2014: -7)

In 2015, the net cash used in financing activities mainly related to the repayment of a eurobond of €349 million. Reference is made to note 4.1 Net debt and note 4.4 Financial instruments.

2.5 Segment information

Accounting policies

PostNL reports three operating segments: Mail in the Netherlands, Parcels and International and one other segment: PostNL Other. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. These chief operating decision-makers, who are responsible for allocating resources and assessing the performance of the operating segments, have been identified as the Board of Management of PostNL that makes strategic decisions.

The following table presents the reconciliation of the 2015 segment information relating to the income statement of the reportable segments. Anticipating the sale in 2015, the 2015 segmentation of International does not include Whistl in line with the internal reporting provided to the Board of Management. Segment information relating to the balance sheet is reported in note 3.10.

Segmentation 2015

(in € millions)

Year ended at 31 December 2015	Mail in NL	Parcels	International	PostNL Other	Eliminations	Total
Net sales	1,742	757	949	1		3,449
Intercompany sales	213	155	34	186	(588)	
Other operating revenue	6	5	0	1		12
Total operating revenue	1,961	917	983	188	(588)	3,461
Other income	4	0	0	0		4
Depreciation/impairment property, plant and equipment	(29)	(14)	(6)	(17)		(66)
Amortisation/impairment intangibles	(11)	(9)	(3)	(3)		(26)
Impairment assets held for sale	(1)					(1)
Total operating income	237	101	0	2		340
Net financial expense						(78)
Results from investments in jv's/associates						(2)
Income taxes						(77)
Profit/(loss) from discontinued operations						(34)
Profit for the year						149

The key financial performance indicator for management of the reportable segments is underlying cash operating income. The underlying cash operating performance focuses on the underlying cash earnings performance, which is the basis for the dividend policy. In the analysis of the underlying cash operating performance, adjustments are made for exceptional items as well as adjustments for non-cash costs for pensions and provisions. For pensions, the IFRS-based defined benefit plan pension expenses are replaced by the non-IFRS measure of the actual cash contributions for such plans. For the other provisions, the IFRS-based net charges are replaced by the related cash outflows. Underlying cash operating income is reported on a monthly basis to the chief operating decision-makers.

The following table presents the reconciliation of the 2014 segment information relating to the income statement of the reportable segments. In 2014, the segmentation of International included Whistl in line with the internal reporting then provided to the Board of Management. Deviations from the 2014 results as included in the represented consolidated income statement are caused by the impact of Whistl. Segment information relating to the balance sheet is reported in note 3.10.

Segmentation 2014

(in € millions)

Year ended at 31 December 2014	Mail in NL	Parcels	International	PostNL Other	Eliminations	Total
Net sales	1,857	683	1,675	25		4,240
Intercompany sales	151	165	36	207	(559)	
Other operating revenue	4	6		1		11
Total operating revenue	2,012	854	1,711	233	(559)	4,251
Other income	7	0	1	0		8
Depreciation/impairment property, plant and equipment	(34)	(12)	(6)	(21)		(73)
Amortisation/impairment intangibles	(13)	(8)	(2)	(3)		(26)
Impairment assets held for sale	(1)					(1)
Total operating income	298	100	(6)	13		405
Net financial expense						(95)
Results from investments in jv's/associates						(1)
Income taxes						(83)
Profit for the year						226

Section 3: Operating assets and liabilities

In this section...

This section sets out the Group's assets used to generate trading performance and the liabilities incurred as a result. Liabilities related to the Group's financing activities are addressed in section 4.

The **main operating assets** included in this section are: working capital, property, plant and equipment, intangible assets and assets classified as held for sale.

The **main operating liabilities** included in this section are: provision for pension liabilities and other provisions.

The other disclosures included in this section are: investments in joint ventures and associates, deferred income tax assets and liabilities and commitments and contingencies.

This section concludes with segmental information, where we split the relevant total operating assets and liabilities according to our reportable segments and according to a geographical segmentation.

3.1 Working capital

3.1.1 Accounts receivable: 371 million (2014: 389)

Accounting policies

Accounts receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of accounts receivable is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the loss is recognised in the income statement. Any reversal of the loss is included in the income statement on the same line as where the original expense was recorded.

Accounts receivable

(in € millions)

At 31 December	2015	2014
Trade accounts receivable - total	356	372
Allowance for doubtful debt	(19)	(17)
Trade accounts receivable	**337**	355
VAT receivable	21	18
Accounts receivable from associates and joint ventures	2	9
Other accounts receivable	11	7
Accounts receivable	**34**	34
Total accounts receivable	**371**	389

The main part of the allowance for doubtful debt related to a collective loss component established for groups of similar trade accounts receivable balances. This collective loss component is largely based on the ageing of the trade accounts receivable and is reviewed periodically.

The concentration of the trade accounts receivable per customer is limited. The top 10 trade accounts receivable accounted for 15% of the outstanding balance as at 31 December 2015 (2014: 14%). The concentration of the trade accounts receivable portfolio over the different regions can be summarised as follows:

- Netherlands €204 million (2014: 211),
- Germany and Italy €105 million (2014: 119), and
- the rest of the world €28 million (2014: 25).

For the non-trade accounts receivable, no allowance for doubtful debt was required. The fair value of the total (trade) accounts receivable approximated its carrying value.

The ageing analysis of the trade accounts receivable past due but not individually impaired is presented below.

Ageing trade accounts receivable past due, not impaired

(in € millions)

At 31 December	2015	2014
Up to 1 month	74	71
2-3 months	32	26
3-6 months	11	11
6-12 months	12	15
Over 12 months	36	26
Total	**165**	149

Within Italy, €22 million (2014: 24) of the total trade accounts receivable related to Riscossione Sicilia, an Italian tax collection agency for Sicily. In 2014 a payment plan was agreed with Riscossione Sicilia and the contract was adjusted. Management expects the receivable to be fully recoverable and expects collection predominantly within one year.

The movements in the allowance for doubtful debt of trade accounts receivable were as follows:

Statement of changes in the allowance for doubtful debt of trade accounts receivable

(in € millions)

	2015	2014
Balance at 1 January	**17**	14
Provided for during financial year	8	7
Receivables written off during year as uncollectable	(6)	(4)
Balance at 31 December	**19**	17

3.1.2 Other current liabilities: 169 million (2014: 184)

Other current liabilities

(in € millions)

At 31 December	2015	2014
VAT payable	67	68
Social security contributions payable	30	33
Payments from customers received in advance	44	45
Other	28	38
Total	**169**	184

The decrease of 'Other' is mainly a result of lower liabilities related to partnership business.

3.1.3 Accrued current liabilities: 577 million (2014: 540)

Accrued current liabilities

(in € millions)

At 31 December	2015	2014
Amounts received in advance	115	109
To be paid to third parties	146	155
To be paid to personnel	48	52
Vacation days/vacation payments	86	91
Terminal dues	163	106
Interest payable	16	23
Other accrued current liabilities	3	4
Total	577	540

As at 31 December 2015, amounts received in advance mainly included €70 million (2014: 63) for deferred revenue for stamps that were sold but not yet used, deferred revenues from franking machines of €14 million (2014: 14) and rental of mailboxes of €13 million (2014: 13).

Main items within the expenses to be paid to third parties included payables to business partners of €33 million (2014: 35), claims of €7 million (2014: 11), discounts to be paid of €5 million (2014: 4) and various other expenses to be paid.

Expenses to be paid to personnel included accrued wages and salaries of €20 million (2014: 25), the accrual for voluntary termination agreements of €5 million (2014: 5) and accruals for employee profit-sharing over 2015.

The increase of the accrual for terminal dues related to foreign postal operators mainly resulted from higher net export volumes, only partly offset by prepayments and settlements.

Of the total accrued current liabilities, an amount of €14 million is expected to be settled after 12 months (2014: 34).

3.2 Property, plant and equipment

Property, plant and equipment: 508 million (2014: 519)

Accounting policies

Property, plant and equipment is valued at historical cost, less depreciation and impairment losses. The initial costs of an assets comprises its purchase price, costs of bringing the asset into working condition, handling and installation costs and non-refundable purchase taxes.

Land is not depreciated. System software is capitalised and amortised as a part of the tangible fixed asset for which it was acquired to operate.

Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in long-term debt. Property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

Other property, plant and equipment is depreciated on a straight-line basis over its expected useful life, taking into account any residual value. The asset's residual value and useful life is reviewed on an annual basis and, if necessary, changes are accounted for prospectively.

For the accounting policy concerning impairments, reference is made to note 5.4.

Property, plant and equipment

(in € millions)

	Land and buildings	Plant and equipment	Other	Construction in progress	Total
Depreciation percentage	0%-10%	4%-33%	7%-25%	0%	
Historical cost	806	450	115	29	1,400
Accumulated depreciation and impairments	(461)	(323)	(80)		(864)
Balance at 31 December 2013	345	127	35	29	**536**
Capital expenditure in cash	1	6	5	46	58
Disposals	(3)		(1)	(1)	(5)
Internal transfers and reclassifications	31	17	1	(49)	
Depreciation	(27)	(29)	(14)		(70)
Impairments	(2)	(1)			(3)
Transfers to assets held for sale	4	(1)			3
Total changes	4	(8)	(9)	(4)	**(17)**
Historical cost	829	444	102	25	1,400
Accumulated depreciation and impairments	(480)	(325)	(76)		(881)
Balance at 31 December 2014	349	119	26	25	**519**
Capital expenditure in cash	15	19	3	18	55
Capital expenditure in financial leases			1		1
Disposals	(2)				(2)
Internal transfers and reclassifications	7	25	3	(35)	
Depreciation	(27)	(28)	(10)		(65)
Impairments		(1)			(1)
Transfers to and from assets held for sale	1				1
Total changes	(6)	15	(3)	(17)	**(11)**
Historical cost	817	479	95	8	1,399
Accumulated depreciation and impairments	(474)	(345)	(72)		(891)
Balance at 31 December 2015	343	134	23	8	**508**

Capital expenditures 2015 are slightly below the level of 2014. Investments were made in the new sorting and delivery centres within Parcels and in equipment in Mail in the Netherlands (mainly related to new sorting machines). Both developments also impacted the internal transfers and reclassifications from construction in progress to land and buildings, plant and equipment and other.

The disposals mainly related to the sale of real estate in the Netherlands.

In 2015, depreciation costs decreased mainly relating to plant and other equipment within Mail in the Netherlands.

Finance leases

(in € millions)

Year ended at 31 December	2015	2014
Land and buildings - leasehold rights and ground rents		
Historical cost	20	23
Accumulated depreciation	(7)	(9)
Bookvalue	**13**	14
Other equipment	1	1
Total bookvalue finance leases	**14**	15

The minimum lease payments to be paid under these contracts represent the discounted value.

Leasehold rights and ground rents expiring:

- between 1 and 5 years amount to €0 million (2014: 0),
- between 5 and 20 years amount to €0 million (2014: 1),
- between 20 and 40 years amount to €7 million (2014: 7),
- thereafter amount to €6 million (2014: 6),
- with indefinite terms €0 million (2014: 0).

The leasehold rights and ground rent contracts related to land and buildings in the Netherlands.

3.3 Intangible fixed assets

Intangible fixed assets: 146 million (2014: 130)

Accounting policies

Goodwill
Goodwill represents the excess of the cost of acquisition over the fair value of PostNL's share of the identifiable net assets acquired. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of joint ventures and associates is included in investments in associates and is not separately recognised or tested for impairment. Gains and losses on disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Separately-recognised goodwill arising on acquisitions is capitalised and subject to an annual impairment review. Goodwill is carried at cost less accumulated impairment losses.

Other intangible fixed assets
Costs related to the development and installation of software for internal use are capitalised at historical cost and amortised over the estimated useful life. Other intangible assets acquired in a business combination are recognised at fair value at the acquisition date.

An asset under construction is transferred to its respective intangible asset category at the moment it is ready for use and is amortised using the straight-line method over its estimated useful life. Other intangible assets are valued at the lower of historical cost less amortisation and impairment.

For the accounting policy concerning impairments of goodwill and other intangible fixed assets, reference is made to note 5.4.

Intangible fixed assets
(in € millions)

	Goodwill	Software	Other	Total
Amortisation percentage		10%- 35%	0%- 35%	
Historical cost	261	202	36	499
Accumulated amortisation and impairments	(177)	(167)	(25)	(369)
Balance at 31 December 2013	84	35	11	**130**
Additions		5	21	26
Internal transfers/reclassifications		17	(17)	
Amortisation		(24)	(2)	(26)
Total changes	0	(2)	2	**0**
Historical cost	261	203	40	504
Accumulated amortisation and impairments	(177)	(170)	(27)	(374)
Balance at 31 December 2014	84	33	13	**130**
Additions	6	12	24	42
Internal transfers/reclassifications		15	(15)	
Amortisation		(24)	(2)	(26)
Total changes	6	3	7	**16**
Historical cost	267	211	49	527
Accumulated amortisation and impairments	(177)	(175)	(29)	(381)
Balance at 31 December 2015	90	36	20	**146**

Goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) and tested for impairment. The CGUs correspond to an operation in a particular country or region and the nature of the services provided. Compared to 2014, the CGU structure has not changed.

In 2015, the additions to goodwill related to the acquisition of DM Productions B.V.

Goodwill per CGU

(in € millions)

Year ended at 31 December	2015	2014
Mail in the Netherlands	54	54
Parcels	11	5
Germany	23	23
Italy	2	2
Total	**90**	84

Based on 2015 financial performance, a detailed review has been performed of the recoverable value of each CGU. The recoverable value is the higher of the value in use and fair value less costs of disposal. Fair value less costs of disposal represents the best estimate of the amount PostNL would receive if it sold the CGU. The recoverable value is determined based on the value in use. The value in use has been estimated on the basis of the present value of future cash flows.

For both mature markets and non-mature markets, the estimated future net cash flows are based on a nine-year forecast and business plan, as management considers these forecasts reliable based on past experience. For markets considered non-mature, no steady state has been achieved to date. The cash flow projections have been approved by management.

PostNL has determined the budgeted gross margin based on past performance and its expectations for market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rate used in the CGU valuations varies from 9% to 14% (pre-tax).

Key assumptions used to determine the recoverable values for each individual CGU are the following:

- maturity of the underlying market, market share and volume development in order to determine the revenue mix and growth rate,
- level of operating income largely impacted by revenue and cost development, taking into account the nature of the underlying costs and potential economies of scale,
- level of capital expenditure in network-related assets, and
- discount rate to be applied following the nature of the underlying cash flows and foreign currency and inflation-related risks.

Management has carried out an impairment test for each individual CGU and concluded that the recoverable amount of the individual CGUs is higher than the carrying amount.

Software and other intangibles

The closing balance of software and other intangibles is build up as follows:

Software and other intangibles

(in € millions)

Year ended at 31 December	2015	2014
Internally-generated software	33	30
Purchased software	3	3
Software under construction	18	10
Customer lists	2	3
Total	**56**	46

The additions to software mainly concerned IT investments in the new sorting and delivery centres within Parcels and software licenses and costs of internally-generated software for various IT projects. The reclassification from other intangibles was due to finalised IT projects.

The estimated amortisation expenses for software and other intangible assets are:

- 2016: €25 million,
- 2017: €17 million,
- 2018: €13 million, and
- thereafter: €1 million.

PostNL does not conduct significant research and development activities and therefore does not incur research and development costs.

3.4 Provisions for pension liabilities

Provisions for pension liabilities: 449 million (2014: 538)

Accounting policies

The net defined benefit liability/asset for all pension and other post-employment plans that qualify as defined benefit plans is determined by calculating the present value of the defined benefit obligation and deducting the fair value of the plan assets. The resulting deficit or surplus is adjusted for any effect of limiting a net defined benefit asset to the asset ceiling and for any effect of minimum funding requirements.

PostNL uses actuarial calculations (projected unit credit method) to measure the obligations and the costs. Assumptions are made about financial variables (such as the discount rate and the rate of benefit increases) and demographic variables (such as employee turnover and mortality). The discount rate is determined by reference to market rates using high-quality corporate bonds. The assumed return on plan assets equals the discount rate applied in the calculation of the pension obligations at the beginning of the year.

Service costs are recognised as operating expenses in the income statement. Gains or losses on the amendment, curtailment or settlement of a defined benefit plan are recognised as operating expenses in the income statement on the date of the amendment, curtailment or settlement.

The net interest expense/income on the net defined benefit liability/asset is recognised as 'Interest and similar expenses/ income' in the income statement (below operating income).

Deviations between the expected and actual development of the pension obligation and plan assets, resulting in actuarial gains and losses, are recognised immediately within Other Comprehensive Income (net of tax). The impact of the asset ceiling and/or minimum funding requirements is also recognised within Other Comprehensive Income (net of tax).

Pension costs for defined contribution plans are expensed in the income statement when incurred or due.

PostNL's main Dutch defined benefit average pay pension plan (main plan) covers the employees subject to PostNL's collective labour agreement and staff with a personal labour agreement in the Netherlands. The main plan is externally funded in 'Stichting Pensioenfonds PostNL' (main fund), an independent legal entity which is not owned or controlled by any other legal entity and which falls under the regulatory supervision of De Nederlandsche Bank.

PostNL also runs a number of defined benefit transitional plans, which mainly consist of a conditional pension benefit ("soft pension") ultimately granted and financed towards the main fund at 31 December 2020 or retirement, if earlier.

Main developments during 2015

The pension fund for employees with a personal labour agreement (PostNL related participants within Stichting Ondernemingspensioenfonds TNT) merged with the main fund. The merger is financially effective per 1 January 2015. To compensate for the lower coverage ratio of the incoming fund PostNL committed to an unconditional payment of €7 million to the main fund. This amount is added to the unconditional funding obligation of €150 million committed by PostNL in 2013.

Following changes in the regulatory framework, the execution agreement between PostNL and the main fund has been adjusted. The main changes are an adjustment of the recovery period from three to five years, relevant for determining the amount and term of the top-up payment obligation of PostNL, and the termination of the €315 million conditional budget that was earmarked to compensate for potential discounts to the accrued pension entitlements in the period 2014 - 2018.

PostNL started the payment of the unconditional funding obligation to the main fund by a first instalment of €32 million. At 31 December 2015, the outstanding funding obligation amounted to €129 million, which will be paid by 4 equal instalments during the years 2016 - 2019.

Further details of the main plan

The main plan is a defined benefit average pay scheme, with a basis accrual rate of 1.875% of the pensionable base and retirement age set at 67 years. The pensionable base is derived as the pensionable salary, with a statutory maximum of €100,000 (level 2015), minus a state pension offset.

Pension (cash) contributions are bounded by a minimum level of 21.5% and a maximum level of 27.5% of the pensionable salary base. The actuarial contributions are calculated by applying a 60-month moving average pension fund discount rate. The resulting contributions are increased by 10% if the coverage ratio is below 120% and by 5% if the coverage ratio is between 120% and 130%. Based on the total maximum premium amount, the intended pension accrual can be reduced in any year. Given the applicable financing arrangements and current low interest rates, it is expected that the accrual rate will be lower than the basis level of 1.875% for the coming years. The accrual rate for 2016 has been set at 1.62% of the pensionable base.

In the event of a coverage deficit PostNL has an obligation for top-up payments of at most 1.25% of the fund's plan obligations per year, for at most five consecutive years. In determining the top-up payment obligation, the resilience of the pension fund will be taken into account. The requirement to supplement a deficit will be determined on the basis of the 'beleidsdekkingsgraad' (i.e. the 12-months average coverage ratio).

By the end of 2015, the month-end coverage ratio of the main fund amounted 106.0% (2014: 108.9%), including the outstanding payment of the unconditional funding obligation of €129 million by PostNL. The decreased coverage ratio is mainly explained by higher pension obligations resulting from a sector-wide change in the calculation method of the Ultimate Forward Rate ("UFR") and the cancellation of the 3-months average UFR, partly offset by higher pension plan assets due to the fund's investment return of 1.4%. The 12-months average coverage ratio amounted 106.8% per 31 December 2015 (2014: 111.8%).

The returns on plan assets are linked to the strategic investment policy of the main fund. The overall investment strategy and exposure includes equity derivatives to preserve part of the upward potential on equity and at the same time be protected against substantial declines in equity valuations. In addition, the fund uses interest rate derivatives to reduce the net interest exposure on its assets and liabilities. The plan assets may from time to time include investments in PostNL's own financial instruments through indirect holdings by mutual funds. Around 78% of the fund's total plan assets have a quoted market price in an active market. The unquoted part relates to investments in investment funds which invest in non-listed assets (for example real estate investments) and non-listed derivatives.

Asset mix/return of main pension plan

At 31 December	Actual mix 2015	Return 2015
Equities and equity derivatives	18%	2.2%
Fixed interest and inflation linked bonds	68%	0.1%
Real estate and alternative investment	9%	11.5%
Swaps and swaptions / Contribution to the return	5%	0.1%
Total / total weighted average	**100%**	**1.4%**

Statement of changes in provision for defined benefit plans

The following table presents an overview of the movement of the provision for post-employment benefit plans during 2015. The merger of the funds is reflected by the transfer of €3 million from "Other plans" to the "Dutch main pension plan". Different to last year, the provision for the unfunded defined benefit Trattamento di Fine Rapporto plan in Italy of €9 million per 31 December 2014 has been included within "Other plans".

Statement of changes in provision for defined benefit plans

(in € millions)

	Balance at 31 December 2014	Transfer	Post-employment benefit income/ (expenses)	Employer contributions	Actuarial gains/(losses)	Pension asset ceiling/minimum funding requirement	Balance at 31 December 2015
Dutch main pension plan	(170)	(3)	(115)	121	309	(271)	(129)
Dutch transitional plans	(350)		(20)	44	21		(305)
Other plans	(18)	3	(2)	2	0		(15)
Provision for post-employment benefit plans	(538)	0	(137)	167	330	(271)	**(449)**

The following table gives a break-down of total pension costs, pension cash contributions, actuarial gains and losses, and the impact of the asset ceiling and/or minimum funding requirement.

Details on cost, cash, gains and losses, and adjustments

(in € millions)

		2015	2014
Regular defined benefit costs		(138)	(131)
Past service costs		1	36
Defined contribution costs		(12)	(10)
Total employer pension costs		**(149)**	(105)
Of which included within salaries, pensions and social security contributions	refer to note 2.1.3	(136)	(85)
Of which included within interest and similar expenses	refer to note 2.2	(13)	(20)
Defined benefit cash contributions		135	158
Defined benefit payment unconditional funding obligation		32	
Defined contribution cash contributions		12	10
Total employer pension cash contributions		**179**	168
Actuarial gain/(loss) due to:			
Change in discount rate	from 2.3% to 2.5% (2014: from 3.5% to 2.3%)	254	(1,650)
Change in rate of benefit accrual		121	
Change in rate of benefit increases	unchanged at 1.1% (2014: from 1.4% to 1.1%)		455
Changes in demographic assumptions		13	40
Experience adjustments		12	65
Actuarial loss on benefit obligations		**400**	(1,090)
Actuarial gain/(loss) on plan assets		(70)	837
Total actuarial gain/(loss)		**330**	(253)
Net charge within Other Comprehensive Income		**248**	(189)
Adjustment for pension asset ceiling		(142)	38
Adjustment for minimum funding requirement		(129)	155
Total gross adjustment		**(271)**	193
Net charge within Other Comprehensive Income		**(203)**	145

The actuarial gain of €121 million resulting from a change in the rate of benefit accrual follows from the maximum level of pension (cash) contributions of 27.5% of the pensionable base. Given current low interest rates and the applicable financing arrangements, it is expected that the benefit accrual rate will be lower than the basis level of 1.875% for the coming years.

The negative adjustments of €142 million and €129 million resulted from the limitation of the main fund's funded status (of €142 million) and the minimum funding requirement (of €129 million, being the outstanding unconditional funding obligation) to the asset ceiling.

Detailed reconciliation of the opening and closing balances

The following table reconciles the opening and closing balances of the present value of the defined benefit obligation and the fair value of plan assets, the funded status and the netted pension provisions, and the employer pension expenses of PostNL's defined benefit post-employment plans.

Detailed overview of changes in consolidated defined benefit plans

(in € millions)

	2015	2014
Change in benefit obligation		
Benefit obligation at beginning of year	(7,932)	(6,769)
Inclusion of other post-employment benefit plans	(9)	
Service costs	(134)	(119)
Interest costs	(183)	(236)
Past service costs	1	36
Settlement		25
Actuarial (losses)/gains	400	(1,090)
Benefits paid	221	221
Benefit obligation at end of year	**(7,636)**	(7,932)
Of which funded benefit obligations	(7,322)	(7,582)
Of which unfunded benefit obligations	(314)	(350)
Change in plan assets		
Fair value of plan assets at beginning of year	7,403	6,422
Assumed return on plan assets	170	223
Employee contributions	16	15
Employer contributions	167	156
Other costs	(7)	(4)
Settlement		(25)
Actuarial (losses)/gains	(70)	837
Benefits paid	(221)	(221)
Fair value of plan assets at end of year	**7,458**	7,403
Change in funded status		
Funded status at the beginning of year	(538)	(347)
Operating expenses	(124)	(72)
Interest (expenses)/income	(13)	(13)
Employer contributions	167	156
Actuarial (losses)/gains	330	(253)
Funded status at end of year	**(178)**	(529)
Impact of pension asset ceiling	(142)	
Impact of minimum funding requirement	(129)	
Other post-employment benefit plans [1]		(9)
Netted pension liabilities	**(449)**	(538)
Components of employer pension expenses		
Service costs (net of employee contributions)	(118)	(104)
Interest (expenses)/income	(13)	(20)
Past service costs	1	36
Other costs	(7)	(4)
Post-employment benefit income/(expenses)	**(137)**	(92)
Other post-employment benefit plan expenses [1]		(3)
Total post-employment benefit income/(expenses)	**(137)**	(95)
Weighted average assumptions as at 31 December		
Discount rate	2.5%	2.3%
Rate of benefit increases	1.1%	1.1%
Life expectancy 65 year old men/women (in years)	20.8/23.0	20.5/22.8

1. In 2015 liability included in benefit obligations and expenses included in other cost items.

Key assumptions

The discount rate is based on the long-term yield on high quality (AA-rated) corporate bonds, taking into account the duration of the projected pension liabilities of around 19 years. The corporate bond yield information is sourced from Bloomberg, taking into account a minimum outstanding amount and other defined selection criteria. By applying curve-fitting procedures, a yield curve is generated. Using the full yield curve, the discounted value of the expected future benefit payments is matched with the comparable present value when using a single discount rate.

The conditional benefit increases are based on the (derived) Consumer Price Index. The assumed rate of benefit increases is based on advice, published statistics and the pension plan's ambition level.

Assumptions regarding the longevity outlook are based on advice, published statistics and experience per country. The applied prospective longevity rates are derived from the Dutch mortality table GBM/GBV 2014 + CVS experience rates based on postal areas, as applied by the main fund.

Sensitivity analysis of the defined benefit obligation

The table below shows the sensitivity of the defined benefit obligation at year-end 2015 to deviations in key assumptions, with all other assumptions held unchanged. The sensitivity to life expectancy of +1/-1 year is measured by assuming all plan participants 1 year younger/older.

	%-change in assumptions	impact on defined benefit obligation
Benefit obligation at end of year (in € millions)		**7,636**
Discount rate	+ 0.5%	-8.1%
Rate of benefit increases	+ 0.5%	9.6%
Life expectancy men/women	+ 1 yr	3.4%
Benefit obligation at end of year (in € millions)		**7,636**
Discount rate	- 0.5%	9.2%
Rate of benefit increases	- 0.5%	-7.4%
Life expectancy men/women	- 1 yr	-3.4%

3.5 Other provisions

Other provisions: 111 million (2014: 154)

Accounting policies

Provisions are recognised when there is a present obligation as a result of a past event, making it probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation on the balance sheet date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The gross-up of the provision following the discounting of the provision is recorded in the income statement as interest expense.

PostNL recognises termination benefits when the company has committed to terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or provides termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to their present value.

Provisions for onerous contracts are recorded when the unavoidable costs of meeting the obligation under the contract exceed the economic benefits expected to arise from that contract, taking into account impairment of fixed assets first.

The following table presents the changes in the short-term and long-term provisions.

Other long-term and short-term provisions

(in € millions)

	Other employee benefit obligations	Restructuring	Claims and indemnities	Other	Total
Non-current other provisions	21	48	11	10	90
Current other provisions	5	55	3	1	64
Balance at 31 December 2014	26	103	14	11	**154**
Additions	5	19	4	3	31
Withdrawals	(3)	(42)	(3)	(1)	(49)
Releases	(4)	(16)	(2)	(3)	(25)
Reclassification	1			(1)	
Total changes	(1)	(39)	(1)	(2)	**(43)**
Non-current other provisions	19	23	12	7	61
Current other provisions	6	41	1	2	50
Balance at 31 December 2015	25	64	13	9	**111**

The estimated utilisation of the other provisions in 2016 is €50 million, in 2017 €27 million, in 2018 €11 million and in 2019 and thereafter €23 million.

Other employee benefit obligations

As at 31 December 2015, the other employee benefit obligations related to jubilee payments of €21 million and other employee benefits of €4 million.

Restructuring

The restructuring provision related mainly to the cost saving programmes.

The additions related to the cost saving programmes (€11 million), the restructuring of our unaddressed and direct mail activities within segment Mail in the Netherlands (€4 million), the restructuring of our transport activities within segment Parcels (€2 million) and the restructuring of Spring Global Delivery Solutions within segment International (€2 million). The additions to the provisions for cost saving programmes consists of restructurings within operations (€8 million), marketing & sales (€1 million) and head office departments (€2 million), and relates to around 135 FTE in total.

The restructuring within operations related to the announcements to restructure the overhead staff of the car unit and the administrative staff of the service centers due to volume decline and increased automation. The restructuring of our unaddressed and direct mail activities resulted from the announcements to adjust the employee base to the increased volume decline.

The withdrawals concerned severance payments under the cost saving programmes totalling €39 million and payments for other initiatives totaling €3 million. The withdrawals of €42 million related to a total of 553 FTEs, of which 474 FTEs related to the cost saving programmes and 79 FTEs related to other restructuring programmes.

The release of €16 million mainly related to the cost saving programmes within operations and head office departments, resulting from increased voluntary resignations and periodical reassessments of the expected cash costs.

The restructuring provisions are discounted against an average discount rate of 0.3% (2014: 0.7%) as they are expected to be utilised mainly during the period 2016-2018.

Claims and indemnities

The provision for claims and indemnities includes provisions for claims from third parties with respect to PostNL's ordinary business activities, as well as indemnities and disputes related to the sale of PostNL's discontinued operations. More detailed information relating to these provisions is not provided, as such information could prejudice the company's position with respect to these claims and indemnities.

Other

Other provisions consist of anticipated contributions to the postal fund for unemployment, onerous contracts, dilapidation costs in relation to restructurings and guarantees provided to third parties. The release from the other provisions of €3 million mainly related to the postal fund for unemployment.

3.6 Investments in joint ventures and associates

Investments in joint ventures and associates: 33 million (2014: 34)

Accounting policies

An associate is an entity over which PostNL has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint arrangement is an arrangement of which two or more parties have joint control. There are two types of joint arrangements: joint operations and joint ventures. PostNL only participates in entities that can be considered as a joint venture.

PostNL's share in the results of joint ventures and associates is included in the consolidated income statement using the equity method. The carrying value of PostNL's share in joint ventures and associates includes goodwill on acquisition and includes changes to reflect PostNL's share in net earnings of the respective companies, reduced by dividends received. When PostNL's share of accumulated losses in a joint venture or associate exceeds its interest in the company, the book value of the investment is reduced to zero and PostNL does not recognise further losses unless PostNL is bound by guarantees or other undertakings in relation to the joint venture or associate.

The following table presents the changes in the carrying value of the investments in joint ventures and associates.

Investments in joint ventures and associates

(in € millions)

	2015	2014
Balance at 1 January	**34**	36
Share in net result	(2)	(1)
Share in other comprehensive income/direct equity movements	1	
Dividend received		(1)
Balance at 31 December	**33**	34

As at 31 December 2015, the investments in joint ventures mainly related to the 50% interest in Postkantoren B.V./Bruna B.V., a joint venture with ING Bank N.V. and a 50% interest in HIM Holtzbrinck joint ventures in Germany. The investments in associates mainly related to a 17.5% share in Whistl, retained from the management buy-out of Whistl in the UK at 23 October 2015, and minority shareholdings in Germany. All joint ventures are private companies and there is no quoted market price available for their shares.

Management has assessed none of the investments in joint ventures and associates to be material to the company. The profit/(loss) of all immaterial investments in joint ventures amounted to -€5 million (2014: -4). The profit/(loss) of all immaterial investments in associates amounted to €3 million (2014: 4). The company's share in the off-balance sheet commitments of all immaterial investments in joint ventures amounted to €15 million and mainly related to rent and operating lease contracts.

As at 31 December 2015, PostNL had £36 million of rental and bank guarantees outstanding for its investment in associate Whistl. The bank guarantee was already in place before the management buy-out.

3.7 Deferred income tax assets and liabilities

Deferred tax assets: 37 million (2014: 51) and deferred tax liabilities: 35 million (2014: 36)

Accounting policies

Deferred tax assets and liabilities arising from temporary differences between the carrying amounts of assets and liabilities and the tax base of assets and liabilities are calculated using the substantively enacted tax rates expected to apply when they are realised or settled. Deferred tax assets are recognised if it is probable that they will be realised. Deferred tax assets and liabilities within the same tax group, where a legally enforceable right to offset exists, are presented net in the balance sheet.

The following table shows the movements in deferred tax assets in 2015:

Statement of changes deferred tax assets

(in € millions)

	Provisions	Property, plant and equipment	Losses carried forward	Other	Total
Deferred tax assets at 31 December 2013	23	1	8	19	**51**
Changes via other comprehensive income	15			(1)	14
Changes via income statement	(6)	(1)		(7)	(14)
Deferred tax assets at 31 December 2014	32	0	8	11	**51**
Changes via other comprehensive income	(15)				(15)
Changes via income statement	3		(2)		1
Deferred tax assets at 31 December 2015	20	0	6	11	**37**

Of the deferred tax assets as at 31 December 2015, €3 million (2014: 3) is to be recovered within 12 months and €34 million (2014: 48) after 12 months.

The total accumulated losses available for carry forward at 31 December 2015 amounted to €191 million (2014: 172). With these losses carried forward, future tax benefits of €57 million could be recognised (2014: 51). Tax deductible losses give rise to deferred tax assets at the statutory tax rate in the relevant country. Deferred tax assets are recognised if it is probable that they will be realised. The probability of the realisation is impacted by uncertainties regarding the realisation of such benefits, for example as a result of the expiration of tax losses carried forward and projected future taxable income. As a result PostNL has not recognised €51 million (2014: 43) of the potential future tax benefits and has recorded deferred tax assets of €6 million at the end of 2015 (2014: 8).

The expiration of total accumulated losses is as follows:

- 2016: €3 million,
- 2017: €4 million,
- 2018: €4 million,
- 2019: €3 million,
- 2020 and thereafter: €25 million, and
- Indefinite: €152 million.

The following table shows the movements in deferred tax liabilities in 2015:

Statement of changes deferred tax liabilities

(in € millions)

	Property, plant and equipment	Other	Total
Deferred tax liabilities at 31 December 2013	37	0	**37**
Changes via other comprehensive income			
Changes via income statement	(1)		(1)
Deferred tax liabilities at 31 December 2014	36	0	**36**
Changes via other comprehensive income			
Changes via income statement	(1)		(1)
Deferred tax liabilities at 31 December 2015	35	0	**35**

Of the deferred tax liabilities at 31 December 2015, an amount of €5 million (2014: 1) is to be settled within 12 months and an amount of €30 million (2014: 35) after 12 months.

3.8 Assets classified as held for sale

Assets classified as held for sale: 13 million (2014: 193) and liabilities related to assets classified as held for sale: 0 million (2014: 132)

Accounting policies

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of the carrying amount and fair value less costs of disposal. Assets held for sale are no longer amortised or depreciated from the date they are classified as such. Accounting for assets classified as held for sale requires the use of assumptions and estimates. In line with IFRS 5, management assessed compliance with these statements and the assumptions used in the fair value calculations as well as the estimated costs of disposal.

As at 31 December 2015, assets classified as held for sale amounted to €13 million (2014: 193) and related to buildings held for sale in the Netherlands (2014: 18). As at 31 December 2014, assets classified as held for sale of €174 million and liabilities related to assets classified as held for sale of €132 million related to Whistl in the UK.

Whistl

On 30 April 2015, LDC has notified PostNL that, due to ongoing changes in postal market dynamics and the complexity of the regulatory landscape, it will not proceed with the discussion on the proposed investment in Whistl to fund the further roll-out of its current end-to-end (E2E) activities. In June 2015, PostNL decided to terminate the E2E delivery service of Whistl, resulting in exit costs of €19 million (net of tax) in 2015.

On 30 July 2015, PostNL reached agreement on the main conditions of a management buy-out of Whistl. As part of the transaction PostNL will retain 17.5% of the shares in Whistl. The transaction was completed on 23 October 2015.

The following table presents the financial performance and cash flow information of Whistl for the period ended 23 October 2015 and the year ended 31 December 2014.

Financial performance and cash flow

(in € millions)

	2015	2014
Revenues	692	797
Operating income	(25)	3
Financial expense	0	(1)
Income taxes	4	0
Profit/(loss) after taxes	**(21)**	2
Impairment to fair value	(24)	
Recycling of foreign currency reserve	11	
Profit/(loss) from discontinued operations	**(34)**	2
Net cash used in operating activities	(7)	(6)
Net cash used in investing activities	(2)	(11)
Net cash used in financing activities	0	0
Changes in cash and cash equivalents	**(9)**	(17)

The 2015 loss of €34 million includes the net impact from exit costs related to the termination of the end-to-end delivery service of €19 million and a fair value impairment to align the carrying value to fair value less costs of disposal of €24 million. The €11 million recycling effect relates to exchange rate differences previously recorded within equity. The results include intercompany revenues of €2 million (2014: 3) and intercompany expenses of €6 million (2014: 9) as these represent trading relations with PostNL entities going forward.

Details of the sale of Whistl

(in € millions)

	2015
Carrying value 1 January	42
Operating results	(21)
Currency translation	3
Impairment to fair value	(24)
Carrying amount of net assets sold	**0**
Consideration received	0
Gain on sale	**0**
Recycling of foreign currency reserve	11

The following table presents the carrying amounts of assets and liabilities (excluding equity and intercompany balances) at 23 October 2015 and at the year ended 31 December 2014:

Condensed balance sheet

(in € millions)

	2015	2014
Non-current assets	12	40
Current assets	144	134
Total assets	**156**	174
Total non-current liabilities	4	0
Total current liabilities	151	132
Total liabilities	**155**	132

Property plant and equipment

Property, plant and equipment included in assets held for sale related to buildings in the Netherlands. The following table presents the movements of the balance sheet positions during 2015 and 2014.

Property, plant and equipment

(in € millions)

	2015	2014
Balance at 1 January	**19**	27
Disposals	(4)	(4)
Impairments	(1)	(1)
Transfers to/from property, plant and equipment	(1)	(3)
Balance at 31 December	**13**	19

3.9 Commitments and contingencies

Accounting policies

Commitments are probable obligations that arises from past events whose existence will only be confirmed by the occurrence (or non-occurrence) of one or more probable future events.

Contingencies are possible obligations (contingent liabilities) or possible assets (contingent assets) that arise from past events whose existence will only be confirmed by the occurrence (or non-occurrence) of one or more uncertain future events, not wholly within the control of the entity.

Off balance sheet commitments

(in € millions)

At 31 December	2015	2014
Rent and operating lease	159	186
Capital expenditure	27	23
Purchase commitments	52	33

As at 31 December 2015, €137 million of the commitments indicated above are of a short-term nature (2014: 125). As at 31 December 2014, an amount of €20 million was included in rent and operating lease commitments relating to Whistl.

Rent and operational lease contracts

In 2015, operational lease expenses (including rental) in the consolidated income statement amounted to €87 million (2014: 90). There were no significant individual lease contracts as at 31 December 2015. Future payments on non-cancellable existing lease contracts mainly relating to real estate, computer equipment and other equipment are as follows:

Repayment schedule rent/operational leases

(in € millions)

At 31 December	2015	2014
Less than 1 year	62	71
Between 1 and 2 years	40	47
Between 2 and 3 years	27	27
Between 3 and 4 years	15	17
Between 4 and 5 years	10	10
Thereafter	5	14
Total	**159**	186
of which guaranteed by a third party/customer		5

Capital expenditure

As at 31 December 2015, commitments in connection with capital expenditure amounted to €27 million (2014: 23) and are related to property, plant and equipment. These commitments primarily relate to projects within the operations of Mail in the Netherlands (sorting machines) and the new sorting and delivery centres of Parcels.

Purchase commitments

As at 31 December 2015, PostNL had unconditional purchase commitments of €52 million (2014: 33), primarily related to various service and maintenance contracts for information technology, security, salary registration and cleaning. The increase is mainly caused by commitments related to the migration from IT-systems into the cloud.

Contingent tax liabilities

Multinational groups of the size of PostNL are exposed to varying degrees of uncertainty related to tax planning and regulatory reviews and audits. PostNL accounts for its income taxes on the basis of its own internal analyses, supported by external advice. PostNL continually monitors its global tax position, and whenever uncertainties arise, assesses the potential consequences and either accrues the liability or discloses a contingent liability in its financial statements, depending on the strength of the company's position and the resulting risk of loss.

Guarantees

As at 31 December 2015, PostNL, on behalf of its subsidiaries, had various parental and bank guarantees outstanding. However, none resulted in an off-balance sheet commitment for the Group as the relating obligations to external parties have already been recognised by these subsidiaries following their ordinary course of business. As at 31 December 2015, PostNL had £36 million of rental and bank guarantees outstanding for its investment in associate Whistl.

Contingent legal liabilities

The company is involved in several legal proceedings relating to the normal conduct of its business, such as claims for loss of goods, delays in delivery, trademark infringements, subcontracting and employment issues, and general liability. The majority of these claims are for amounts below €1 million and are insured and/or provided for. PostNL does not expect any liability arising from any of these legal proceedings to have a material effect on its operational results, liquidity, capital resources or financial position. The company believes it has provided for all probable liabilities deriving from the normal course of business.

3.10 Segment information

Accounting policies

PostNL reports three operating segments: Mail in the Netherlands, Parcels and International and one other segment: PostNL Other. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. These chief operating decision-makers, who are responsible for allocating resources and assessing the performance of the operating segments, have been identified as the Board of Management of PostNL that makes strategic decisions.

Balance sheet information

A reconciliation of the segment information relating to the balance sheet of the reportable segments is presented below. Segment information relating to the income statement is reported in note 2.5.

Segmentation - balance sheet and capital expenditures 2015

(in € millions)

At 31 December 2015	Mail in NL	Parcels	International	PostNL Other	Total
Intangible assets	76	25	31	14	146
Property, plant and equipment	246	209	15	38	508
Trade accounts receivable	149	54	134	0	337
Other current assets	57	23	157	286	523
Total assets	571	311	366	1,003	2,251
Trade accounts payable	61	30	43	25	159
Other current liabilities	562	93	112	60	827
Total liabilities	930	191	170	1,176	2,467
Cash out for capital expenditures	49	26	7	9	91

As at 31 December 2015, the total assets of PostNL Other mainly included assets related to the stake in TNT Express amounting to €626 million (2014: 445).

The segmented balance sheet information as at 31 December 2014 was as follows:

Segmentation - balance sheet and capital expenditures 2014

(in € millions)

At 31 December 2014	Mail in NL	Parcels	International	PostNL Other	Total
Intangible assets	73	23	28	6	130
Property, plant and equipment	241	205	20	53	519
Trade accounts receivable	167	47	141	0	355
Other current assets	110	27	133	472	742
Total assets	651	303	526	997	2,477
Trade accounts payable	52	28	47	24	151
Other current liabilities	552	75	106	474	1,207
Total liabilities	976	172	301	1,618	3,067
Cash out for capital expenditures	34	36	6	7	83

The total assets of International included assets held for sale of €174 million.

The segment information from a geographical perspective is derived as follows: the basis of allocation of assets and investments by geographical area is the location of the assets.

Geographical segmentation - assets

(in € millions)

At 31 December		2015			2014	
	Intangible assets	Property, plant and equipment	Financial fixed assets	Intangible assets	Property, plant and equipment	Financial fixed assets
The Netherlands	117	493	694	102	500	508
Germany	24	9	22	24	11	21
Italy	5	5	7	4	6	7
Rest of Europe		1	1		2	2
Europe	146	508	724	130	519	538
Rest of the World						
Total	146	508	724	130	519	538

Section 4: Capital structure and financing costs

In this section...

This section sets out the Group's capital structure and related (financing) costs.

We start by exploring our net debt position, the Group's key measure used to evaluate total cash resources net of the current outstanding debt. Monetisation of our stake in TNT Express, accounted for as available-for-sale financial asset, serves the purpose of further debt reductions.

We next disclose how the Group manages its financial risks. PostNL's activities expose the company to a variety of financial risks, such as market risks, credit risk and liquidity risk. PostNL's overall risk management programme focuses on mitigating these risks, which arise in the normal course of business. We continue with a summary of the Group's financial instruments.

We conclude this section with the disclosure of our equity structure, the individual components therein and an analysis of the movements during the year.

Accounting policies

PostNL distinguishes the following categories of financial assets and liabilities:

- financial assets and financial liabilities at fair value through profit or loss,
- loans and receivables,
- held-to-maturity investments,
- available-for-sale financial assets,
- financial liabilities measured at amortised cost.

Management determines the classification of PostNL's financial assets and liabilities at initial recognition.

Financial assets and financial liabilities at fair value through profit or loss
Financial assets and financial liabilities at fair value through profit or loss are derivatives and include the following instruments:

- fair value hedges (hedges of the fair value of recognised assets and liabilities of a firm commitment);
- cash flow hedges (hedges of a particular risk associated with a recognised asset or liability or a highly probable forecasted transaction); or
- net investment hedges (hedges of a net investment in a foreign operation).

These instruments are carried at fair value. Unrealised gains and losses are recognised in profit or loss. If a derivative is designated as a cash flow hedge or net investment hedge, changes in its fair value are considered to be effective and recorded in a separate component in equity until the hedged item is recorded in income. Any portion of a change in the fair value of a derivative that is considered to be ineffective, or is excluded from the measurement of effectiveness, is immediately recorded in the income statement.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit and loss (for example, when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the asset or liability.

When a hedging instrument expires or is sold, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gains or losses existing in equity at that time remain in equity until the underlying transaction is ultimately recognised in the income statement. When an underlying transaction is no longer expected to occur, the cumulative gains or losses that were reported in equity are immediately transferred to the income statement.

Fair value measurement is based on the following fair value measurement hierarchy: 1) quoted prices (unadjusted) in active markets, 2) inputs other than quoted prices that are observable either directly (prices) or indirectly (derived from quoted prices), and 3) inputs not based on observable market data. Valuation techniques used include the use of recent arm's-length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and for which PostNL has no intention of trading. Loans and receivables are carried at amortised cost using the effective interest method.

Held-to-maturity investments
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities which PostNL has the positive intention and ability to hold to maturity. Held-to-maturity investments are carried at amortised cost using the effective interest method.

Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories above. Available-for-sale financial assets are carried at fair value. Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in equity. When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments are included in the income statement as a gain or a loss.

Financial liabilities measured at amortised cost
Financial liabilities measured at amortised cost are recognised initially at fair value net of transaction costs incurred and are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the financial liability using the effective interest method.

4.1 Net debt

As at 31 December 2015 net debt amounted to €552 million and consisted of the items disclosed hereafter.

Cash and cash equivalents: 355 million (2014: 585)

Cash and cash equivalents

(in € millions)

At 31 December	Nominal amount	Average amount	Effective interest rate
Cash at bank and in hand	140		
Bank deposits	75	114	0.00%
Money Market Funds	140	140	(0.05%)
On-call deposit account		21	0.00%
Total cash and cash equivalents 2015	**355**		
Cash at bank and in hand	165		
Bank deposits	170	214	0.03%
Money Market Funds	200	155	0.07%
On-call deposit account	50	50	0.18%
Total cash and cash equivalents 2014	**585**		

As at 31 December 2015, included in cash and cash equivalents was €0 million (2014: 0) of restricted cash. The fair value of cash and cash equivalents approximated the carrying value.

Other loans receivable: 7 million (2014: 8) and other financial fixed assets: 21 million (2014: 0)

As at 31 December 2015, the other financial fixed assets of €21 million (2014: 0) represented the £225/€284 million and £89/€112 million cross-currency swaps outstanding to hedge the foreign exchange exposure on the £314 million eurobond.

Debt: long-term debt: 934 million (2014: 912) and short-term debt: 1 million (2014: 363)

Total borrowings - maturity schedule

(in € millions)

	Eurobonds	Financial leases	Total
2016		1	1
2017	507	1	508
2018	426		426
Total borrowings	933	2	**935**
Of which included in long-term debt	933	1	934
Of which included in short-term debt		1	1

In 2014, short-term debt included 2015 eurobonds of €348 million and a loan to the joint venture Postkantoren B.V. of €14 million.

4.2 Available-for-sale financial assets

Available-for-sale financial assets: 626 million (2014: 445)

The fair value of the 14.6% stake in TNT Express as at 31 December 2015 amounts to €626 million and has been determined by multiplying the closing share price of €7.79 on 31 December 2015 by 80,386,421, the total number of issued ordinary shares held by PostNL. During 2015, the share price of TNT Express increased from €5.54 on 31 December 2014 to €7.79 on 31 December 2015, reflecting FedEx' public offer of €8.00 per TNT Express share that was announced on 7 April 2015.The fair value increase of €181 million has been recorded in other comprehensive income.

4.3 Financial risk management

PostNL's activities expose the company to a variety of financial risks, such as interest rate risk, foreign currency exchange risk, credit risk and liquidity risk. All these risks arise in the normal course of business and PostNL therefore uses various techniques and financial derivatives to mitigate them.

The following analyses provide quantitative information regarding PostNL's exposure to the financial risks described above. There are certain limitations and simplifications inherent in the analyses presented, primarily due to the assumption that rates change in a parallel fashion and instantaneously. At the same time, for example, the impact of changes in interest on foreign exchange exposures and vice versa is ignored. In addition, the analyses are unable to reflect the complex market reactions that would normally arise from the market shifts assumed.

PostNL uses derivative financial instruments solely for the purpose of hedging currency and interest exposures. The company enters into contracts related to derivative financial instruments for periods commensurate with its underlying exposures and does not take positions independent of these exposures. None of these financial instruments are leveraged or used for trading purposes or to take speculative positions.

Financial risk management is carried out by Group Treasury under policies approved by the Board of Management. Group Treasury identifies, evaluates and hedges financial risks and exposures in close cooperation with operating units. The Board of Management provides written principles for overall risk management, as well as written policies covering the financial risks. Periodic reporting on financial risks is embedded in the overall risk framework and is provided to the Board of Management in a structural way.

Group Treasury matches and manages the intragroup and external financial exposures. Although the company generally enters into hedging arrangements and other contracts to reduce its exposures, these measures may be inadequate or may subject the company to increased operating or financing costs.

Interest rate risk

PostNL identifies interest rate risk associated with its financial assets and borrowings. Virtually all debts are at fixed rates, an increase in the rate will therefore not affect the cost base. As at 31 December 2015, PostNL's gross interest-bearing borrowings, including finance lease obligations, totalled €935 million (2014: 1,275), all at fixed interest rates. Financial assets are on average of a short-term nature.

At 31 December 2015, if interest rates on borrowings and financial assets had been 1% higher with other variables held constant, the profit before income tax would have been €4 million higher (2014: 6). The potential profit increase is entirely attributable to interest income on the cash and cash equivalents. Equity would be positively affected by €2 million (2014: 5), due to the change in the interest curve projection applied for the calculation of the fair value of the £225/€284 million and £89/€112 million, as well as the €4 million (2014: 6) positive impact on profit before income taxes (see also note 4.4 to the consolidated financial statements).

Foreign currency exchange risk

PostNL has international operations that generate foreign currency exchange risks arising from future commercial transactions, recognised assets and liabilities, investments and divestments in foreign currencies other than functional currencies of the respective business units of PostNL, irrespective of whether it is the euro (PostNL's functional and reporting currency) or another functional currency. For accounting purposes the European Central Bank is used as the source.

The main currencies of PostNL's external hedges are the British Pound, Hong Kong Dollar and US Dollar.

The Board of Management has set a policy requiring Group companies to manage their foreign exchange risk against the functional currency. Group companies are required to hedge material exposures via the use of foreign exchange derivatives with Group Treasury, whereby a financing company operated by Group Treasury trades these foreign exchange derivatives with external banks. As at 31 December 2015, PostNL had no net investment hedges outstanding. Significant acquisitions and local debt are usually funded in the currency of the underlying assets.

As at 31 December 2015, if the euro had weakened 10% against both the British Pound, the Hong Kong Dollar and the US Dollar with all other variables held constant, the profit before income taxes on the foreign exchange exposure on financial instruments would have been €0 million lower (2014: 0). In 2015, the net income sensitivity to movements in euro/pound sterling, euro/HK dollar and euro/US dollar exchange rates compared to 2014 did not change. Equity would have been positively impacted by €7 million (2014: 7), all related to the move in the hedge reserve.

Credit risk

Credit risk represents the potential losses that the company would incur if counterparties are unable to fulfil the terms of underlying agreements. Credit risk arises from cash and cash equivalents, derivatives and deposits with banks and financial institutions as well as credit exposures relating to customers. The credit risk exposure is minimized by only transacting with financial institutions, ensuring established credit guidelines are met and by managing its customer portfolio.

On the reporting date, there was no significant concentration of credit risk across the customer portfolio. The top 10 trade accounts receivable accounted for 15% of outstanding trade receivables as at 31 December 2015. Within Italy, €22 million of the total trade accounts receivable related to Riscossione Sicilia, an Italian tax collection agency for Sicily. Management expects the receivable to be fully recoverable and expects collection predominantly within one year.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, PostNL attempts to maintain flexibility in funding by keeping committed credit lines available. The terms and conditions of PostNL's material long-term and short-term debts, as well as its material drawn or undrawn committed credit facilities do not include any financial covenants. There are no obligations to accelerate repayments of these material debts and committed facilities in the event of a credit rating downgrade. A downgrade in PostNL's credit rating may negatively affect its ability to obtain funds from financial institutions and banks and increase its financing costs by increasing the interest rates on its outstanding debt or the interest rates at which the company is able to refinance existing debt or incur new debt.

At 10 April 2015, PostNL has replaced the outstanding €570 million committed credit facility (maturity date: 1 June 2016) by a new €400 million committed credit facility (maturity date: 10 April 2022). At 31 December 2015, the €400 million committed credit facility was undrawn.

The following table analyses PostNL's financial liabilities, categorising them into relevant maturity groupings based on the remaining period on the balance sheet to the contractual maturity date. The outgoing flows disclosed in the table are the contractual undiscounted cash flows that contain the redemptions and interest payments.

Maturity liquidity risks

(in € millions)

At 31 December	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	Thereafter	Book value
Eurobonds	56	988			933
Financial leases	1	1			2
Interest rate and cross-currency swaps - outgoing	28	453			
Foreign exchange contracts - outgoing	266				
Trade accounts payable	159				159
Other current liabilities	72				72
Total outgoing flows	582	1,442			1,166
Interest rate and cross-currency swaps - incoming	28	453			
Foreign exchange contracts - incoming	266				
Total mitigation via incoming flows	294	453			
Total liquidity risk 2015	288	989	0	0	1,166
Eurobonds	418	619	424		1,255
Other loans	15				15
Interest rate and cross-currency swaps - outgoing	45	57	424		5
Foreign exchange contracts - outgoing	50				
Trade accounts payable	151				151
Other current liabilities	83				83
Total outgoing flows	762	676	848		1,509
Interest rate and cross-currency swaps - incoming	45	57	424		
Foreign exchange contracts - incoming	50				
Total mitigation via incoming flows	95	57	424		
Total liquidity risk 2014	667	619	424	0	1,509

4.4 Financial instruments

In line with IAS 39 and IFRS 13, the following categories of financial assets and financial liabilities can be distinguished.

Financial instruments - assets

(in € millions)

At 31 December	Notes	Input information level (IFRS13)	Loans and receivables	Derivatives used for hedging	Available for sale	Total
Other loans receivable		level 2 [1]	7			7
Other financial fixed assets	4.1/4.2	level 1&2 [2]		21	626	647
Accounts receivable	3.1.1	level 2 [1]	371			371
Foreign exchange contracts [3]		level 2	4			4
Cash and cash equivalents	4.1		355			355
Total assets as per balance sheet 2015			737	21	626	1,384
Other loans receivable		level 2 [1]	8			8
Other financial fixed assets	4.2	level 1			445	445
Accounts receivable	3.1.1	level 2 [1]	389			389
Foreign exchange contracts [3]		level 2	1			1
Cash and cash equivalents	4.1		585			585
Total assets as per balance sheet 2014			983	0	445	1,428

1. We consider the fair value equal to the book value as these items will be settled within short term.
2. Derivatives level 2 and available-for-sale financial assets level 1.
3. Foreign exchange contracts are included in prepayments and accrued income in the statement of financial position.

Financial instruments - liabilities

(in € millions)

At 31 December	Notes	Input information level (IFRS13)	Financial liabilities measured at amortised costs	Derivatives used for hedging	Total
Long-term debt	4.1	level 1	934		934
Trade accounts payable		level 2 [1]	159		159
Other current liabilities	3.1.2	level 2 [1]	73		73
Total liabilities as per balance sheet 2015			1,166	0	1,166
Long-term debt	4.1	level 1&2 [2]	907	5	912
Trade accounts payable		level 2 [1]	151		151
Other current liabilities	3.1.2	level 2 [1]	446		446
Total liabilities as per balance sheet 2014			1,504	5	1,509

1. We consider the fair value equal to the book value as these items will be settled within short term.
2. Eurobonds level 1 and derivatives level 2.

All financial instruments are reported on a gross basis per instrument. Netting of financial instruments per contractual counterparty will not have a material impact on the outstanding balances.

Eurobonds

For the details on the outstanding eurobonds, see the table below.

Outstanding eurobonds

(in € millions)

At 31 December	Nominal value	Costs/discount to be amortised	Hedge accounting	Carrying value	Fair value
5.375% eurobond 2017	508	1	No	507	554
7.500% eurobond 2018 (£314 million)	396	1	Yes	426	484
Total outstanding eurobonds 2015	904	2		933	1,038
3.875% eurobond 2015	349	1	No	348	354
5.375% eurobond 2017	508	2	No	506	575
7.500% eurobond 2018 (£314 million)	396	1	Yes	401	476
Total outstanding eurobonds 2014	1,253	4		1,255	1,405

Financial leases

For the details on the outstanding financial leases, see the table below.

Outstanding financial leases

(in € millions)

At 31 December	Nominal value	Fixed/floating interest	Hedge accounting	Carrying value	Fair value
Total outstanding financial leases 2015	2	fixed	No	2	2
Total outstanding financial leases 2014	0	fixed	No	0	0

Derivatives - Cross-currency swaps

As at 31 December 2015, PostNL had £225/€284 million and £89/€112 million cross-currency swaps outstanding to hedge the foreign exchange exposure on the £314 million eurobond. These swaps act as to hedge the future cash flow risk and mature in 2018.

For the details on the outstanding cross-currency swaps, see the table below.

Outstanding swaps

(in € millions)

At 31 December	Nominal value	Forward Starting	Currency	Outstanding	Pay	Receive	Hedge	Fair value
Total cross-currency swaps 2015	396	No	GBP/EUR	Yes	fixed	fixed	cash flow	21
Total cross-currency swaps 2014	412	No	GBP/EUR	Yes	fixed	fixed	cash flow	(5)

The fair value of the outstanding long-term cross-currency swaps is recorded as a long-term asset in 'other financial fixed assets' or as a liability in 'long-term debt' and includes credit valuation adjustments.

Derivatives - Foreign currency exchange contracts
For the details on the outstanding foreign exchange contracts, see the table below.

Outstanding foreign exchange contracts
(in € millions)

At 31 December	Carrying value	Fair value	Nominal value	Hedge	Amount in equity
Asset	4	4	172	fair value	No
Liability	2	2	94	fair value	No
Foreign exchange contracts 2015					
Asset	1	1	39	fair value	No
Liability	0	0	11	fair value	No
Foreign exchange contracts 2014					

The fair value of these outstanding foreign exchange hedges is recorded as a current asset in 'prepayments and accrued income' or as a current liability in 'total current borrowings' and includes credit valuation adjustments.

In 2015, the total ineffective portion on all derivatives recognised in the income statement that arises from the use of fair value and cashflow hedges amounted to €0 million (2014: 0). Ineffectiveness was mainly caused by credit valuation adjustments.

4.5 Equity

Issued share capital €35 million (2014: 35) and Additional paid-in capital €153 million (2014: 150)

Accounting policies

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases PostNL's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, are included in equity.

Authorised share capital
Since 4 August 2011, the company's authorised share capital has amounted to €120 million, divided into 750,000,000 ordinary shares and 750,000,000 preference shares B, both of €0.08 nominal value each.

Form of shares
The ordinary shares are in bearer or registered form. Ordinary shares in bearer form are represented by a global note held by the Dutch clearing system Euroclear Netherlands and are transferable through Euroclear Netherlands' book entry system. ADRs represent ordinary shares in bearer form represented by the note held by Euroclear Netherlands. Ordinary shares in registered form are transferred by means of a deed of transfer and PostNL's written acknowledgement of the transfer. PostNL does not have share certificates for ordinary shares represented by the global note. The preference shares B are in registered form.

Issued share capital

As at 31 December 2015, the company's issued share capital amounted to €35 million (2014: 35). The number of authorised, issued and outstanding shares by class of share is as follows:

Shares

Before proposed appropriation of profit	2015	2014
Authorised by class		
Ordinary shares	750,000,000	750,000,000
Preference shares B	750,000,000	750,000,000
Total authorised	**1,500,000,000**	1,500,000,000
Issued and outstanding		
Per 1 January of the reported year	440,920,801	439,973,297
Issued under its incentive schemes	649,863	947,504
Per 31 December of the reported year	**441,570,664**	440,920,801
Issued and outstanding per 31 December by class		
Ordinary shares	441,570,664	440,920,801
of which held by the company to cover share plans	0	0
of which a foundation incorporated by the company only holds the legal title	1,343,048	1,227,902
Preference shares B	0	0

Issuance/repurchase of shares to cover share plans

For all equity-settled and cash-settled share plans, PostNL intends to perform the settlement (or in case of cash-settled plans, fund the settlement) by issuing new shares. As a result, the company issued 649,863 ordinary shares in 2015 (2014: 947,504) under its incentive schemes to 'Stichting Managementparticipatie PostNL' (Foundation Management Participation PostNL). The company did not purchase any ordinary shares in 2015 (2014: 0) to cover its obligations under the existing share plans. As at 31 December 2015, the total number of shares held for this purpose was nil (2014: 0). The company also held no ordinary shares for cancellation as at 31 December 2015 (2014: 0).

Incentive scheme and Foundation Management Participation PostNL

For administration and compliance purposes, since May 2013 all shares belonging to PostNL employees under PostNL incentive schemes are held by Stichting Managementparticipatie PostNL (Foundation Management Participation PostNL) on an omnibus securities account with ING Bank, the Netherlands. Foundation Management Participation PostNL legally owns the shares, while the beneficial ownership of the shares is vested in the employees, who are also entitled to dividend received by Foundation Management Participation PostNL on their behalf. As at 31 December 2015, the number of PostNL shares involved amounted to 1,343,048 shares with a nominal value of €0.08 per share.

Foundation Continuity PostNL and preference shares B

Stichting Continuiteit PostNL (Foundation Continuity PostNL) was formed to safeguard PostNL’s interests and the enterprises connected with PostNL and all interested parties, by, among other things, preventing as far as possible any influences that would threaten PostNL’s continuity, independence and identity. Foundation Continuity PostNL is an independent legal entity and is not owned or controlled by any other legal person.

PostNL’s articles of association provide for protective preference shares B that can be issued to Foundation Continuity PostNL to serve these interests. The preference shares B have a nominal value of €0.08 and have the same voting rights as PostNL’s ordinary shares.

PostNL and Foundation Continuity PostNL have entered into a call option agreement, which enables Foundation Continuity PostNL to acquire a number of preference shares B not exceeding the total issued amount of shares minus one and minus any shares already issued to Foundation Continuity PostNL. The call option agreement is meant as a preventive countermeasure against influences that might threaten the continuity, independence and identity of the company. Preference shares B will be outstanding no longer than is strictly necessary. As at 31 December 2015 no preference shares B were issued.

Additional paid-in capital

As at 31 December 2015, additional paid-in capital of €153 million (2014: 150) is fully exempt for Dutch tax purposes to the extent that this has been paid in by shareholders of the company.

Section 5: Other notes

In this section...

This section includes the notes not explained elsewhere in the financial statements. We disclose the following items in the following order:

- The components of the remuneration of the Supervisory Board, Board of Management and Senior Management.
- The related party transactions and balances from trading relationships with joint ventures and unconsolidated companies in which PostNL holds minority stakes.
- Business combinations.
- A summary of all remaining accounting polices.

We conclude this section with a description of subsequent events, where we provide information received between 31 December 2015 and the date of this report about material events applicable for understanding our year-end position.

5.1 Remuneration of Supervisory Board, Board of Management and Senior Management

Accounting policies

Equity-settled share-based compensation plans
As from 2013, PostNL operates a number of equity-settled share-based compensation plans, under which the employees receive (conditional) shares of the Group for services rendered. The fair value of the employee services received, as measured at the grant date, in exchange for the grant of the shares is recognised as an expense, with a corresponding increase in equity.

Non-market performance and service conditions are included in assumptions about the number of (conditional) shares that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all the specified vesting conditions are to be satisfied. In addition, for some share-based compensation plans, employees provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense between service commencement date and grant date. At the end of each reporting period, the Group revises its estimates of the number of shares that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

Cash-settled share-based compensation plans
PostNL operates one cash-settled share-based compensation plan, involving a cash payment to employees for amounts that are based on the price of PostNL's shares equal to the gain that would have been made by exercising the notional options and immediately selling the shares in the market. The corresponding liability for the cash- settled plans is measured, initially and at each reporting date until settled, at the fair value of the rights, taking into account the terms and conditions upon which the rights were granted and the extent to which the employees have rendered service to date. Any changes in fair value are recognised in the income statement. The total expense is recognised over the vesting period, which is the period over which all the specified vesting conditions are to be satisfied.

Remuneration of members of the Supervisory Board

Remuneration Supervisory Board

(in €)

	Base compensation	Meeting fees [1]	Total remuneration
Mr P. C. Klaver	55,000	10,500	65,500
Mr J. Wallage	40,000	11,000	51,000
Mr M.A.M. Boersma	40,000	15,000	55,000
Mr J.W.M. Engel	40,000	7,500	47,500
Ms A.M. Jongerius	40,000	13,500	53,500
Ms T. Menssen	40,000	18,500	58,500
Mr F.H. Rövekamp	40,000	11,000	51,000
Total current members	295,000	87,000	382,000
Total 2015	295,000	87,000	382,000
Total 2014	295,000	81,500	376,500

1. Payments of meeting fees relating to number of Supervisory Board committee meetings attended and number of meetings held.

No loans, advance payments, guarantees, options or shares were granted to members of the Supervisory Board in 2015 (2014: nil). None of the members of the Supervisory Board accrued any pension rights with the company.

Remuneration of members of the Board of Management

In 2015, the total remuneration of the Board of Management consisted of:

- base salary,
- variable remuneration,
- other periodic compensation, and
- pension costs.

Remuneration Board of Management 2015

	Fixed remuneration	Variable remuneration					
	Base salary	Accrued for short-term incentive 2015	Accrued for long-term incentive 2015	Accrued for temporary transition plan	Other periodic compensation 1	Pension costs 2	Total 2015
Herna Verhagen	625,000	234,375	181,536	234,375	216,233	22,865	1,514,384
Jan Bos	475,000	178,125	137,967	178,125	159,586	24,814	1,153,617
Total remuneration	1,100,000	412,500	319,503	412,500	375,819	47,679	2,668,001

1. Other periodic compensation include company costs related to tax and social security, pension allowances, company car and other compensation.
2. Pension costs represent the service costs of the defined benefit scheme.

Remuneration Board of Management 2014

	Fixed remuneration	Variable remuneration					
	Base salary	Accrued for short-term incentive 2014	Accrued for long-term incentive 2014 [1]	Accrued for temporary transition plan	Other periodic compensation 2	Pension costs	Total 2014
Herna Verhagen	625,000	234,375	114,095	234,375	113,536	212,995	1,534,376
Jan Bos	475,000	178,125	88,138	178,125	74,682	168,178	1,162,248
Total remuneration	1,100,000	412,500	202,233	412,500	188,218	381,173	2,696,624

1. The long-term incentive for Mr. Bos of €88,138 includes an amount of €1,426 related to the share-based payments costs under the one-off Investment/Matching plan.
2. Other periodic compensation included company costs related to tax and social security, company car and other compensation.

Base salary

As adopted at the 2013 Annual General Meeting of Shareholders on 16 April 2013, the annual base salaries for members of the Board of Management were set at €625,000 for Ms Verhagen, CEO, and €475,000 for Mr Bos, CFO.

Accrued for short-term incentive

The short-term incentive represents a potential reward of 37.5% of the annual base salary which is based on challenging but achievable annual targets. Individual targets can only contribute to the short-term incentive payout if they are fully met, which means there is no stretch and no threshold on the annual targets. This short-term incentive plan rewards with a yearly cash payment reflecting the realised achievements of targets. The focus areas for the short-term incentive are in line with the current remuneration policy and represent a multi-stakeholder approach, with 60% financial targets and 40% non-financial targets.

PostNL accounts for the accrued short-term incentive on the basis of the performance of the year reported. In 2015, an amount of €412,500 relating to the 2015 short-term incentive of the Board of Management was accrued for. In accordance with the remuneration policy, this amount will be paid in cash in 2016.

In 2015, an amount of €412,500 was paid to the members of the Board of Management in relation to the short-term incentive of 2014.

Accrued for long-term incentive

The total share-based payment costs relating to the long-term incentive for the members of the Board of Management amounted to €319,503 (2014: 202,233), which related to the performance share plan as shown below.

Performance share plan

The Board of Management is awarded a long-term incentive, which represents a potential reward of 37.5% of the annual base salary in the form of a performance share plan that contains three-year internal targets.

The performance share plan contains the following characteristics:

- it is a conditional equity-settled share plan based on three-year internal targets,
- shares are conditionally allocated to the Board of Management from 2013 onwards,
- a conditional dividend equivalent is added to the conditional shares equal to the dividend rights of ordinary shares,
- the conditional shares and their conditional dividend equivalents will vest after a performance period of three years,
- vesting is subject to the extent to which the long-term targets have been achieved,
- if a member of the Board of Management leaves the company during the performance period due to circumstances involving fraud or gross misbehaviour, any accrued rights on the long-term incentive plan will terminate and become void, and
- if a member of the Board of Management leaves the company due to other reasons, a pro rata performance and time-based vesting applies.

In compliance with the Dutch Corporate Governance Code, following a three-year performance period the retention period for vested shares expires after two years or at termination of employment if this occurs earlier. For compliance reasons, a sale of shares may not occur earlier than six months after termination of the employment. Any sale of shares for the purpose of using the proceeds to pay for the tax due at vesting of these shares is exempted.

Performance share plan Board of Management

	Year	Vesting period	Number outstanding 1 Jan 2015	Granted during 2015 [1]	Settled during 2015	Forfeited during 2015	Number outstanding 31 Dec 2015
Herna Verhagen	2013	8 May 2013 to 8 May 2016	134,405				134,405
	2014	7 May 2014 to 7 May 2017	75,168				75,168
	2015	7 May 2015 to 7 May 2018		52,823			52,823
Jan Bos	2013	8 May 2013 to 8 May 2016	102,148				102,148
	2014	7 May 2014 to 7 May 2017	57,128				57,128
	2015	7 May 2015 to 7 May 2018		40,146			40,146
Total			368,849	92,969	0	0	**461,818**

1. The number of conditional shares is based on 37.5% of the annual base salary divided by the five-day average Euronext Amsterdam share price of PostNL prior to grant date (€4.437).

In 2015, an amount of €319,503 (2014: 200,807) was expensed for the cost of performance shares. The costs are determined by multiplying the number of granted performance shares by the fair value of such shares on the date of the grant (performance share plan 2015-2018: €4.387 per share; performance share plan 2014-2017: €3.334 per share; performance share plan 2013-2016: €1.753 per share) and by taking into account expected vesting percentages.

Accrued for temporary transition plan

The temporary transition plan compensates the income gap resulting from the 2013 remuneration policy arising in the years 2013-2015 and provides for an annual award of restricted shares, subject to the provision of continued employment. The restricted shares will be granted on the basis of the same annual achievement of targets as applicable to the short-term incentive.

Total share-based payment costs relating to the temporary transition plan for the members of the Board of Management amounted to €412,500 (2014: 412,500). In accordance with the 2013 remuneration policy, this amount will be granted and paid in PostNL shares in 2016.

In compliance with the Dutch Corporate Governance Code, members of the Board of Management may not sell their PostNL shares within five years from the date of grant or at termination of employment if this occurs earlier. For compliance reasons, a sale of shares may not occur earlier than six months after termination of the employment. Any sale of shares for the purpose of using the proceeds to pay for the tax due at vesting of these shares is exempted.

Other periodic compensation

Other periodic compensation included company costs related to tax and social security, pension allowances, company car and other compensation. Compared to 2014, other periodic compensation of 2015 mainly increased due to the inclusion of pension allowances.

Pension costs

The pension costs consist of the service costs for the reported year, net of employee contributions. The members of the Board of Management are participants in a career average defined benefit scheme. Compared to 2014, pension costs of 2015 decreased following the statutory cap on the pensionable income as of 2015.

Loans, advance payments or guarantees

No loans, advance payments or guarantees were granted to members of the Board of Management in 2015 (2014: nil).

Remuneration of senior management

Short-term incentive

The short-term incentive for senior management represents a potential reward of a percentage of the annual base salary (the percentage depending on the job level), which is based on challenging but achievable annual targets. Of the realised achievements of targets 50% is paid in cash and 50% is paid in PostNL shares in the following year. Shares will be granted unconditionally and will be delivered without restrictions or a restricted period, other than those defined in the PostNL insider trading policy.

The 50% of the short-term incentive settled in shares is accounted for as an equity-settled share-based payment. The total share-based payment costs relating to this short-term incentive amounted to €2.0 million in 2015 (2014: €2.3 million). This amount will be granted and paid in PostNL shares in 2016.

Performance share plan

A selected group of members of senior management is awarded a long-term incentive, which represents a potential reward of 37.5% of the annual base salary in the form of a performance share plan that contains three-year internal targets. The company sees the long-term incentive as part of the remuneration package for this selected group of senior management. It is aimed particularly at aligning their interests with the long-term interests of the company and shareholders.

The performance share plan contains the same characteristics as the peformance share plan of the Board of Management.

Performance share plan Senior management

	Year	Vesting period	Number outstanding 1 Jan 2015	Granted during 2015[1]	Settled during 2015	Forfeited during 2015	Number outstanding 31 Dec 2015
Performance share plan	2013	8 May 2013 to 8 May 2016	320,865				320,865
	2014	7 May 2014 to 7 May 2017	193,661				193,661
	2015	7 May 2015 to 7 May 2018		162,978			162,978
Total			514,526	162,978	0	0	**677,504**

1. The number of conditional shares is based on 37.5% of the annual base salary divided by the five-day average Euronext Amsterdam share price of PostNL prior to grant date (€4.437).

In 2015, an amount of €477,359 (2014: 281,327) was expensed for the cost of performance shares. The costs are determined by multiplying the number of granted performance shares by the fair value of such shares on the date of the grant (performance share plan 2015-2018: €4.387 per share; performance share plan 2014-2017: €3.334 per share; performance share plan 2013-2016: €1.753 per share) and by taking into account expected vesting percentages.

Bonus/matching share plan

Since 2011, senior management have had the opportunity, on a voluntary basis, to participate in a bonus/matching plan. The company sees the bonus/matching plan as part of the remuneration package for the members of senior management, particularly aimed at further aligning their interests with the interests of shareholders. At the discretion of the Supervisory Board, grants are made on an annual basis in accordance with the bonus/matching plan which has been approved by the Supervisory Board.

The significant aspects of the plan are:

- bonus shares are purchased by the participant using 25% of the gross variable remuneration and delivered upon the grant of the right on matching shares,
- the number of bonus shares is calculated by dividing 25% of an individual's gross annual bonus relating to the preceding financial year by the share price on Euronext Amsterdam on the date the grant is made (2014: €3.336 per share; 2013: €1.75 per share; 2012: €3.34 per share),
- the rights to matching shares are granted free of charge and as of 2014 the number of matching shares is equal to the number of bonus shares. On the 2012 and 2013 grants, the number of matching shares is equal to the number of bonus shares (job level A) or twice the number of bonus shares (job level B and above),
- the matching rights vest three years after the delivery of the bonus shares.
- As of 2014, the number of matching shares are granted in shares of PostNL (equity-settled scheme). On the 2012 and 2013 grants, the cash value of the matching shares will be paid out for each bonus share that has been retained for three years (cash-settled scheme),
- for each bonus share that is sold within three years, the associated right to one matching share lapses. If more than 50% of the bonus shares are sold within three years, the entire right to matching shares lapses with immediate effect,
- if a participant leaves the company for certain reasons (retirement, certain reorganisations, disability or death), the right to matching shares will vest immediately and he/she can exercise his/her right pro rata, and
- a participant loses the right to exercise his/her right on matching shares when he/she leaves the company for reasons other than those mentioned.

The exercise of the rights to matching shares is subject to the PostNL rules concerning the prevention of use of inside information.

Bonus/matching plan senior management

	Year	Vesting period	Number outstanding 1 Jan 2015	Granted during 2015	Settled during 2015	Forfeited during 2015	Number outstanding 31 Dec 2015
Matching rights	2012	9 May 2012 to 9 May 2015	194,349		(189,844)	(4,505)	0
	2013	8 May 2013 to 8 May 2016	273,174		(29,022)	(9,576)	234,576
	2014	7 May 2014 to 7 May 2017	54,929		(2,336)	(7,285)	45,308
	2015	7 May 2015 to 7 May 2018		34,707			34,707
Total			522,452	34,707	(221,202)	(21,366)	**314,591**

In May 2015, at the end of the plan, the Bonus/matching share plan 2012 was settled in cash against a share price of €4.326 per matching right.

In 2015, an amount of €664,185 was expensed for the cost of the cash-settled bonus/matching shares granted prior to 2014. The fair value of the cash-settled bonus/matching plan rights based on the Euronext Amsterdam share price of PostNL on the reporting date amounted to €3.50. The liabilities arising from the cash-settled share-based payment transactions amounted to €717,212 (2014: 399,897) for the 2013 bonus/matching plan as at 31 December 2015.

In 2015, an amount of €80,648 was expensed for the cost of the equity-settled bonus/matching shares. The costs are determined by multiplying the number of granted matching shares by the fair value of such shares on the date of the grant (2015: €4.387; 2014: €3.334) and by taking into account expected vesting percentages.

Financing of equity-settled plans

For all equity-settled and cash-settled share plans, PostNL intends to perform the settlement (or in case of cash-settled plans, fund the settlement) via the issuance of new shares. Accordingly, the company does not need to actively hedge the risk in connection with its obligations. As a result, the company did not purchase any additional shares in 2015 (2014: 0) to cover its obligations under the existing share plans. As at 31 December, the total number of shares held for this purpose was nil (2014: 0).

5.2 Related party transactions and balances

The PostNL Group companies have trading relationships with a number of joint ventures as well as with companies in which PostNL holds minority stakes. In some cases, there are contractual arrangements in place under which PostNL companies source supplies from such undertakings, or such undertakings source supplies from PostNL. Transactions are carried out at arm's length.

During 2015, purchases of PostNL from and sales to joint ventures and associates amounted to €0 million (2014: 0). The net amounts due from the joint ventures and associates amounted to €8 million (2014: due from joint ventures and associates 3).

Related party transactions with PostNL's pension fund are presented in note 3.4 to the consolidated financial statements.

PostNL considers the members of the Board of Management and Supervisory Board as key management personnel as defined by IAS 24. For disclosure on related party transactions with the Board of Management and Supervisory Board, see note 5.1 to the consolidated financial statements.

Relationship agreement PostNL and TNT Express

Following the demerger of Express, PostNL and TNT Express entered into a relationship agreement and a separation agreement.

The relationship agreement provides for the terms and conditions on lock-up and orderly market arrangements, subject to which PostNL may reduce its shareholding in TNT Express over time, and includes certain arrangements with respect to corporate governance of TNT Express.

The separation agreement creates certain rights and obligations for both PostNL and TNT Express after the demerger. These relate to aspects including: (i) the unwinding of financial relationships, such as cash pools, guarantees, existing financing relationships with third parties, rights and obligations resulting in joint liabilities and other intercompany arrangements; (ii) their employees, such as allocation, works councils, collective labour agreements, share-based schemes and pensions; (iii) tax, such as the cut-off of the existing fiscal unity, profit and loss pooling arrangements; (iv) accounting and treasury, such as changes in interim period, opening balance-related matters and credit rating; and (v) litigation, such as claim and litigation handling, non-allocated and non-anticipated claims and release of provisions.

Pursuant to the pension arrangements concluded between PostNL, TNT Express and the pension funds, PostNL provided a subsidiary guarantee for TNT Express in the event of violation of contractual terms, irregularity of payments and bankruptcy. This subsidiary guarantee only relates to pension benefits accrued under the existing pension plans (up to the date of the demerger) and will comprise a liability that gradually decreases over time. In addition, PostNL has provided a guarantee for future TNT Express pension payments, barring certain unforeseen circumstances. The guarantees of PostNL will only exist as long as the coverage ratio of the fund is below a certain level. If the coverage ratio rises above that level and remains above that level for three consecutive quarters, the guarantees lapse.

As at 31 December 2015, no events had occurred that triggered disclosure of a significant contingent asset or liability following the aforementioned agreements with TNT Express.

5.3 Business combinations

In 2015, PostNL acquired 100% of the shares of DM Productions B.V., providing distribution and return solutions for web shops, targeting small and medium sized companies. The goodwill arising from the acquisition amounted to €6 million and related to expected synergies from combining operations of DM Productions B.V. and our parcel business. There were no intangible assets that qualified for separate recognition. The impact of the acquisition on the pro forma results of PostNL is not material.

5.4 Summary of all other accounting policies

Consolidation

The consolidated financial statements include the financial figures of PostNL N.V. and its subsidiaries, associates and joint ventures and have been prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intercompany transactions and balances have been eliminated on consolidation. A complete list of subsidiaries, associates and joint ventures included in PostNL's consolidated financial statements is filed for public review at the Chamber of Commerce in The Hague. This list has been prepared in accordance with the provisions of article 379 (1) and article 414 of book 2 of the Dutch Civil Code.

Subsidiaries

A subsidiary is an entity controlled directly or indirectly by PostNL N.V. Control is defined as the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether PostNL controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to PostNL and are de-consolidated from the date on which control ceases.

PostNL uses the acquisition method of accounting to account for the acquisition of subsidiaries. The consideration of an acquisition is measured at the fair value of the assets transferred, equity instruments issued and liabilities incurred or assumed at the date of exchange. The consideration transferred also includes the fair value arising from contingent consideration arrangements. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values on the acquisition date irrespective of the extent of any minority interest. Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred over the fair value of PostNL's share of the identifiable net assets of the subsidiary is recorded as goodwill. If the cost of acquisition is less than the fair value of PostNL's share of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are recycled to profit or loss.

The non-controlling interest is initially measured at the proportion of the non-controlling interest in the recognised net fair value of the assets, liabilities and contingent liabilities. Losses applicable to the non-controlling interest in excess of the non-controlling interest in the subsidiary's equity are allocated against PostNL's interests, except to the extent that the non-controlling interest has a binding obligation and is able to make an additional investment to cover the losses.

Functional currency and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary environment in which the entity operates ('the functional currency'). These consolidated financial statements are presented in euros, which is PostNL's functional and presentation currency.

Foreign currency transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Monetary assets and liabilities in foreign currencies are translated to the functional currency using year-end exchange rates. Foreign currency exchange gains and losses resulting from the settlement of foreign currency transactions and balances and from the translation at year-end exchange rates are recognised in the income statement except for qualifying cash flow hedges and qualifying net investment hedges that are directly recognised in other comprehensive income.

Foreign operations
The results and financial position of all Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing exchange rates,
- income and expenses are translated at average exchange rates, and
- the resulting exchange rate differences based on the different ways of translating between the balance sheet and the income statement are recognised as a separate component of equity (translation reserve).

Foreign currency exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to the translation reserve. When a foreign operation is sold, such exchange differences are recycled in the income statement as part of the gain or loss on the sale.

Impairment of goodwill
Goodwill is not subject to amortisation but is tested for impairment annually or whenever there is an indication that the asset might be impaired. For the purposes of assessing impairment, assets are grouped at the lowest levels at which there are separately identifiable cash flows, being the cash-generating units (CGUs). If the recoverable value of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of the goodwill allocated to the CGU and then pro rata to other assets of the CGU. The recoverable amount is the higher of the fair value less costs of disposal and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the asset-specific risks. For the purpose of assessing impairment, corporate assets are allocated to specific

CGUs before impairment testing. The allocation of the corporate assets is based on the contribution of those assets to the future cash flows of the CGU under review. Impairment losses recognised for goodwill are not reversed in a subsequent period.

Impairment of investments in joint ventures and associates

PostNL assesses on each balance sheet date whether there is objective evidence that an investment in a joint venture or associate may need to be impaired. If the recoverable value of the investment is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The recoverable amount is the higher of the fair value less costs of disposal and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the asset-specific risks. The fair value less costs of disposal of a joint venture or associate is reviewed based on observable publicly available market data. Possible impairment charges may be reversed if there is an indication that the impairment no longer exists or has been reduced.

Impairment of finite-lived intangible assets and property, plant and equipment

At each balance sheet date, PostNL reviews its finite-lived intangible assets and property, plant and equipment for an indication of impairment. If any indication exists, the recoverable amount of the assets is estimated. The recoverable amount is defined as the higher of an asset's fair value less costs of disposal and its value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Any impairment loss is recognised immediately in the income statement. Impairment losses recognised in prior periods shall be reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The recoverable amount shall not exceed the carrying amount that would have been determined had no impairment loss been recognised in previous periods. A reversal of an impairment loss is recognised immediately in the income statement.

Profit sharing

The company recognises a liability and an expense for profit-sharing by employees, based on a calculation that takes into consideration quantitative and qualitative performance measures in accordance with contractual arrangements.

Dividend distribution

Dividend distribution to PostNL's shareholders is recognised as a liability in the financial statements in the year in which the dividends are approved by the shareholders. If PostNL offers its shareholders (the choice of) dividends in additional shares, the additionally issued shares are recognised at their nominal amount.

5.5 Subsequent events

There were no subsequent events to report.

Corporate Financial Statements

Corporate primary statements

Corporate income statement

(in € millions)

Year ended at 31 December	Notes	2015	2014
Dividend income	6.2.1	**202**	211
Impairment Mail investments	6.2.2	(145)	
Salaries, pensions and social security contributions	6.2.3	5	44
Other operating expenses		2	
Total operating expenses		**(138)**	44
Operating income		**64**	255
Interest and similar income		8	2
Interest and similar expenses		(78)	(89)
Net financial expense	6.2.4	**(70)**	(87)
Profit/(loss) before income taxes		**(6)**	168
Income taxes	6.2.5	13	10
Profit/(loss) for the year attributable to shareholders		**7**	178

Corporate statement of comprehensive income

(in € millions)

Year ended at 31 December	Notes	2015	2014
Profit for the year attributable to shareholders		**7**	178
Actuarial gains/(losses) pensions, net of tax	6.4.2	231	(176)
Pension asset ceiling/minimum funding requirement, net of tax	6.4.2	(203)	145
Other comprehensive income that will not be reclassified to the income statement		**28**	(31)
Gains/(losses) on cashflow hedges, net of tax		1	5
Change in value of available-for-sale financial assets		181	(97)
Other comprehensive income that may be reclassified to the income statement		**182**	(92)
Total other comprehensive income for the year		**210**	(123)
Total comprehensive income for the year		**217**	55

The accompanying notes form an integral part of the financial statements.

Corporate statement of cash flows

(in € millions)

Year ended at 31 December	Notes	2015	2014
Profit/(loss) before income taxes		**(6)**	168
Adjustments for:			
Impairment Mail investments		**145**	
Share-based payments		**1**	1
Dividend income		(202)	(211)
Interest and similar income		(8)	(2)
Interest and similar expenses		78	89
Investment income		**(132)**	(124)
Pension liabilities		(12)	(46)
Other provisions		(1)	(3)
Changes in provisions		**(13)**	(49)
Changes in working capital		**(1)**	0
Cash used in operations		**(6)**	(4)
Interest paid		(71)	(84)
Income taxes received/(paid)		(13)	4
Net cash used in operating activities	*6.3.1*	**(90)**	(84)
Dividend received		202	211
Interest received		3	0
Net cash from investing activities	*6.3.2*	**205**	211
Financing related to Group companies		233	(120)
Repayments of short-term borrowings		(349)	(6)
Net cash used in financing activities	*6.3.3*	**(116)**	(126)
Total change in cash and cash equivalents		**(1)**	1
Cash and cash equivalents at the beginning of the year		**1**	0
Total change in cash and cash equivalents		(1)	1
Cash and cash equivalents at the end of the year		**0**	1

The accompanying notes form an integral part of the financial statements.

Corporate statement of financial position

(in € millions)

At 31 December	Notes	2015	2014
Before proposed appropriation of profit			
Assets			
Investments in Mail		2,944	3,086
Available-for-sale financial assets		626	445
Financial fixed assets	6.4.1	3,570	3,531
Deferred tax assets	6.2.5	3	8
Total non-current assets		3,573	3,539
Accounts receivable from Group companies	6.4.3	27	1
Cash and cash equivalents		0	1
Total current assets		27	2
Total assets		3,600	3,541
Equity and liabilities			
Issued share capital		35	35
Additional paid-in capital		153	150
Hedge reserves		(8)	(9)
Revaluation reserve investments in Mail		2,042	2,187
Available-for-sale financial assets		128	(53)
Other reserves		(153)	(505)
Unappropriated profit		7	178
Total shareholders' equity	6.3.4	2,204	1,983
Provision for pension liabilities	6.4.2	129	173
Eurobonds	6.4.4	933	907
Other long-term liabilities		8	5
Total non-current liabilities		1,070	1,085
Accounts payable to Group companies	6.4.3	309	75
Other current liabilities	6.4.5	17	398
Total current liabilities		326	473
Total equity and liabilities		3,600	3,541

Corporate statement of changes in equity

(in € millions)

	Issued share capital	Additional paid-in capital	Hedge reserves	Available-for-sale financial assets	Revaluation reserve investments in Mail	Other reserves	Unappropriated profit	Total shareholders' equity
Balance at 31 December 2013	35	147	(14)	44	2,187	(1,409)	935	1,925
Total comprehensive income			5	(97)		(31)	178	55
Appropriation of net income						935	(935)	0
Share based payments		3				0		3
Balance at 31 December 2014	35	150	(9)	(53)	2,187	(505)	178	1,983
Total comprehensive income			1	181		28	7	217
Appropriation of net income						178	(178)	0
Share based payments		3				1		4
Reduction revaluation reserve					(145)	145		0
Balance at 31 December 2015	35	153	(8)	128	2,042	(153)	7	2,204

The accompanying notes form an integral part of the financial statements.

Section 6: Corporate financial statements

In this section...

This section sets out the results and performance of the corporate company PostNL N.V.

Similar to the approach applied in the consolidated financial statements, we have structured the disclosures and analyses in this section along the following categories:

- Basis of preparation
- Result of the year
- Balance sheet information
- Other notes

As a holding company for the Group companies of the PostNL Group, dividend received from these investments reflects the basic earnings included in the result for the year.

The other notes include a reconciliation between corporate and consolidated equity and comprehensive income.

We conclude this section with a description of subsequent events, where we provide information received between 31 December 2015 and the date of this report about material events applicable for understanding our year-end position.

6.1 Basis of preparation

General information and description of the business

PostNL N.V. (hereafter referred to as 'the company') is a public limited liability company with its registered seat and head office at Prinses Beatrixlaan 23, 2595 AK, 's-Gravenhage, the Netherlands.

The company's principal activity is acting as a holding company for the Group companies of the PostNL Group ('the Group') that provide businesses and consumers in the Benelux, Germany and Italy with an extensive range of services for their mail needs. The company is the ultimate parent company of the Group.

The corporate financial statements were authorised for issue by PostNL's Board of Management and Supervisory Board on 29 February 2016 and are subject to adoption at the Annual General Meeting of Shareholders on 19 April 2016.

Classification of the stake in TNT Express

In accordance with IAS 39, the 14.6% stake in TNT Express is considered an available-for-sale financial asset measured at fair value with gains and losses arising from changes in the fair value recognised in other comprehensive income. For further details, see note 6.4.1 to the corporate financial statements.

Summary of significant accounting policies

The significant accounting policies applied in the preparation of these corporate financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. All amounts included in the financial statements are presented in euros, unless stated otherwise.

Accounting principles applied

The corporate financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and Dutch law. IFRS-EU includes the application of International Accounting Standards (IAS), related interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and interpretations of the Standing Interpretations Committee (SIC), issued and effective, or issued and adopted early, as at 31 December 2015.

Basis of measurement

In the corporate financial statements, the same accounting principles have been applied as set out in the notes to the consolidated financial statements, except for the valuation of the investments as presented under financial fixed assets in the corporate financial statements. These policies have been consistently applied to all years presented.

In the corporate financial statements, the investments are recorded at cost less impairments, where for the PostNL investments the deemed cost approach under IFRS 1 has been applied. In the corporate statement of income, dividend received from the investments is recorded as dividend income. Due to this application, the corporate equity and net result are not equal to the consolidated equity and net result. A reconciliation for total shareholders' equity and total comprehensive income is presented in note 6.5 to the corporate financial statements.

Changes in accounting policies and disclosures

For new and amended standards we refer to the descriptions included in the 'Changes in accounting policies and disclosures' in the notes to the consolidated financial statements. The company has assessed the impact on the corporate financial statements. None of these is expected to have a significant effect on the corporate financial statements.

Functional and presentation currency

The corporate financial statements are presented in euros, the company's functional currency.

Use of estimates and judgements

The preparation of the corporate financial statements in conformity with IFRS-EU requires management to exercise judgements and make estimates and assumptions that affect the application of the company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the corporate financial statements are disclosed in the note 'Critical accounting estimates and judgements' to the consolidated financial statements.

Key accounting estimates and judgements affecting the assessment and measurement of impairment are included in note 6.4.1 to the corporate financial statements.

Share-based payments

Equity-settled share-based compensation plans

As from 2013, PostNL operates a number of equity-settled share-based compensation plans, under which the entity receives services from employees as consideration for (conditional) shares of the Group. For the company's accounting policies on equity-settled share-based compensation plans, we refer to note 5.1 of the consolidated financial statements.

Specifically for PostNL N.V., the grant by the company of shares to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

Dividend distribution

Dividend distribution to the company's shareholders is recognised as a liability in the corporate financial statements, in the period in which the dividends are approved by the company's shareholders.

6.2 Result for the year

6.2.1 Dividend income: 202 million (2014: 211)

Dividend income is recognised when the right to receive payment is established. The dividend income from the company's subsidiaries for 2015 was €200 million (2014: 205) and the dividend income from the stake in TNT Express for 2015 was €2 million (2014: 6).

6.2.2 Impairment Mail investments: 145 million (2014: 0)

In 2015, an impairment of €145 million (2014: 0) on the company's investments in Mail was accounted for. Reference is made to note 6.4.1 to the corporate financial statements.

6.2.3 Salaries, pensions and social security contributions: 5 million income (2014: 44 income)

In accordance with IAS 19R.41, the net defined benefit cost for the company's pension plans shall be recognised in the corporate financial statements. For PostNL, the contributions charged to other Group companies more than offset the pension expense incurred, resulting in a positive amount of salaries, pensions and social security contributions over the year. For further information on defined benefit pension costs, see note 6.4.2 to the corporate financial statements. PostNL N.V. does not have any employees other than the Board of Management.

6.2.4 Net financial expense: 70 million (2014: 87)

PostNL has financing relationships with both external banks and with PostNL companies, mainly with PostNL Finance B.V. As a result, PostNL records both external interest income and expenses from financial institutions and from PostNL Finance B.V.

Net financial expense

(in € millions)

Year ended at 31 December	2015	2014
Interest expenses on long term borrowings	(69)	(75)
Interest on net defined benefit pension liabilities	(5)	(8)
Interest on taxes	(2)	(3)
Hedge reserve recycled to profit and loss	(1)	(2)
Other interest and similar expense	(1)	(1)
Interest and similar expense	**(78)**	(89)
Interest and similar income	8	2
Net financial expense	**(70)**	(87)

In 2015, interest expenses on long-term borrowings decreased as a result of the repayment of a bond in June 2015.

6.2.5 Income taxes: 13 million income (2014: 10 income)

Accounting policies

The company is tax-resident in the Netherlands. The tax expense for the year comprises current and deferred tax. Tax is recognised in the statement of income, except to the extent that it relates to items recognised directly in other comprehensive income.

The amount of income tax included in the statement of income is determined in accordance with the rules established by the tax authorities in the Netherlands, based on which income taxes are payable or recoverable.

Corporate income taxes

(in € millions)

Year ended at 31 December	2015	2014
Current tax expense	(9)	(32)
Changes in deferred taxes	(4)	22
Total income taxes	**(13)**	(10)
Income taxes paid/(received)	**13**	(4)

The difference between the total income taxes in the income statement and the current tax expense is due to temporary differences. These differences are recognised as deferred tax assets or deferred tax liabilities.

Income taxes

(in percentages)

Year ended at 31 December	2015	2014
Dutch statutory income tax rate	25.0	25.0
Tax effects of:		
Non and partly deductible costs	(3.5)	
Non deductible impairments	(604.2)	
Exempt income	841.7	(31.0)
Other	(42.3)	
Effective income tax rate	**216.7**	(6.0)

In 2015, the income taxes of -€13 million on the result before income taxes of -€6 million, resulted in an effective income tax rate of 216.7%. Adjusted for the non deductible impairments of €145 million and tax-exempt dividend income of €202 million, the result before income taxes would have been -€63 million, which with income taxes unchanged at -€13 million would have resulted in an effective income tax rate of 20.6%.

The following table shows the movements in deferred tax assets and liabilities.

Statement of changes corporate deferred income tax assets

(in € millions)

	Provisions	Other	Total
Deferred tax assets at 31 December 2013	5	16	**21**
Changes via other comprehensive income	10	(1)	9
Changes via income statement	(9)	(13)	(22)
Deferred tax assets at 31 December 2014	6	2	**8**
Changes via other comprehensive income	(9)		(9)
Changes via income statement	3	1	4
Deferred tax assets at 31 December 2015	0	3	**3**

Of the deferred tax assets as at 31 December 2015, €0 million (2014: 0) is to be settled within 12 months and €3 million (2014: 8) is to be settled after 12 months.

Deferred tax assets and liabilities are presented net in the balance sheet if the company has a legally enforceable right to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxation authority.

6.3 Cash flow performance and equity development

6.3.1 Net cash from/(used in) operating activities: -90 million (2014: -84)

The increase in net cash used in operating activities of €6 million mainly related to the change in income taxes received/paid.

Interest paid

In 2015, the total cash outflow for interest paid of €71 million (2014: 84) mainly included interest on PostNL's long-term borrowings of €69 million (2014: 69) and interest on taxes of €1 million (2014: 14).

Income taxes received/(paid)

In 2015, the company paid income taxes totalling €13 million (2014: 4 received) which include payments relating to prior years and internal settlements with Group companies within the PostNL fiscal unity.

6.3.2 Net cash from investing activities: 205 million (2014: 211)

Dividend received

In 2015, the total cash inflow from dividend received was €202 million (2014: 211). Dividend of €200 million was received from the company's subsidiaries (2014: 205) and dividend of €2 million from the TNT Express stake (2014: 6).

6.3.3 Net cash used in financing activities: -116 million (2014: -126)

Financing related to Group companies

In 2015, financing related to Group companies amounted to €233 million (2014: -120) mainly relating to intercompany financing of PostNL by PostNL Finance B.V.

Repayments of short-term borrowings

In 2015, repayments on short-term borrowings of €349 million related to the repayment of a eurobond.

Dividends paid

In 2015, no cash dividend was paid (2014: 0).

6.3.4 Equity: 2,204 million (2014: 1,983)

For the disclosure on issued share capital, additional paid-in capital, the hedge reserve and the reserve relating to available-for-sale financial assets, see notes 2.3 and 4.5 to the consolidated financial statements. The 2015 tax impact on the cash flow hedges is €3 million (2014: 3).

The revaluation reserve investments in Mail, the reserve relating to available-for-sale financial assets and the hedge reserve are legal reserves and are restricted for distribution.

As at 31 December 2015, the revaluation reserve of €2,042 million (2014: 2,187) related to the applied deemed cost approach for the investments in Mail as of 1 January 2010, partly offset by the net recorded impairment charges of €540 million.

During 2015, the other reserves increased to -€153 million from -€505 million, due to a positive pension effect within other comprehensive income (net of tax) of €28 million, a reclassification from the revaluation reserve of €145 million and the appropriation of net income for 2014 of €178 million.

6.4 Corporate statement of financial position

6.4.1 Total financial fixed assets: 3,570 million (2014: 3,531)

Accounting policies

Investments in subsidiaries and associated companies
Investments in subsidiaries and associated companies are stated at cost, less impairment. Dividend income from the company's subsidiaries and associated companies is recognised when the right to receive payment is established.

Impairment of investments in subsidiaries
At each balance sheet date, the company reviews whether there is an indication that its investments in subsidiaries might be impaired.

An indication may include management's downward adjustment of the strategic plan or other areas where observable data indicates a measurable decrease in the estimated future cash flows. These determinations require significant judgement. In making this judgement, management evaluates, among other factors, the financial performance of and business outlook for its investments, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

If any indication for impairment exists, the recoverable amount of the investments is estimated. The recoverable amount is defined as the higher of an investment's fair value less costs of disposal and its value in use. If the recoverable amount of an investment is estimated to be less than its carrying amount, the carrying amount of the investment is reduced to its recoverable amount. Any impairment loss is recognised immediately in the statement of income.

The investments' fair value less costs of disposal represents the best estimate of the amount the company would receive if it sold its investments. The fair value of each investment has been estimated on the basis of the present value of future cash flows, taking into account costs of disposal. The determination of the investment's value in use is based on calculations using pre-tax cash flow projections based on financial budgets approved by management covering a nine-year period. Cash flows beyond the nine-year period are extrapolated using estimated growth rates.

Impairment losses recognised in prior periods shall be reversed only if there has been a change in the estimates or external market information used to determine the investment's recoverable amount since the last impairment loss was recognised. The recoverable amount shall not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years.

Available-for-sale financial assets
The available-for-sale financial assets of the company reflects the stake in TNT Express carried at fair value. Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in equity. When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments are included in the income statement as a gain or a loss.

The movement in total financial fixed assets is as follows:

Total financial fixed assets

(in € millions)

	Investments in Mail	Available-for-sale financial assets	Total
Balance at 31 December 2013	3,084	542	**3,626**
Additions to capital	2		2
Change in value available-for-sale financial assets		(97)	(97)
Balance at 31 December 2014	3,086	445	**3,531**
Additions to capital	3		3
Impairment Mail investments	(145)		(145)
Change in value available-for-sale financial assets		181	181
Balance at 31 December 2015	2,944	626	**3,570**

Investments in Mail

The subsidiary undertakings of the company as at 31 December 2015, and the company's percentage interest, are set out below.

Breakdown corporate investments

Name of direct subsidiairy	Country of incorporation	Ownership %
PostNL Holdco B.V.	Netherlands	100%
PostNL Holding B.V.	Netherlands	100%

A complete list of investments in subsidiaries, associated companies and jointly-controlled entities will be attached to the company's Annual Report made available to the Chamber of Commerce.

A detailed review has been performed of the recoverability of the Mail investments. The recoverable value of each investment is the higher of the value in use and fair value less costs of disposal. The recoverable value is determined based on the value in use as this was higher than the fair value less costs of disposal at year end 2015. The value in use has been estimated on the basis of the present value of future cash flows. For all investments, the estimated future cash flows are based on a nine-year forecast and business plans, as management considers these forecasts reliable based on past experience. Uncertainties relating to volume decline and efficiency measures are taken into account.

The estimated future cash flows are derived from the most recent strategic planning approved by management. The applied growth rate does not exceed the long-term average growth rates on the related operation and market.

The company has determined the budgeted gross margin based on past performance and its expectations for market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates in the investments' valuations vary from 9% to 14% (pre-tax).

Key assumptions used to determine the recoverable values for the investments of the company are the following:

- maturity of the underlying market, market share and volume development in order to determine the revenue mix and growth rate,
- level of operating income largely impacted by revenue and cost development, taking into account the nature of the underlying costs and potential economies of scale,
- level of capital expenditure in network-related assets, and
- discount rate to be applied following the nature of the underlying cash flows and foreign currency and inflation-related risks.

As the Mail investments are vulnerable to changes in the discount rate and changes in operating income, a sensitivity analysis has been performed for the Mail investments. The sensitivity analysis included the impact of the following items which are considered to be most critical when determining the recoverable value:

- an increase or decrease in the discount rate of 0.5%, and
- an increase or decrease in operating income of 5%.

If the discount rate were to change by 0.5%, this would impact the Mail investments by around €173 million. A change in operating income of 5% would impact the Mail investments by around €174 million.

Based on the detailed review of the value of the Mail investments, taking into account uncertainties relating to volume decline, regulatory developments, including significant market power, and the implementation of a sustainable delivery model, management concluded that an impairment was present for the Mail investments in 2015. Consequently, management recorded an impairment charge of €145 million in 2015. The impairment charge mainly followed from reduced business plans due to the expected financial impact from regulatory measures within Mail in the Netherlands and the implementation of a sustainable delivery model within Parcels. Within equity, the revaluation reserve associated with the initial revaluation of the Mail investments has been reduced by the impairment amount.

In 2015, the additions to capital of €3 million (2014: 2) represented the company's compensation for equity-settled share-based payments to the investments' employees. As the company grants its shares directly to its investments' employees without charging its investments, the company recognised, in line with IFRS, the increase in the investments as a capital contribution.

Available-for-sale financial assets

The fair value of the 14.6% stake in TNT Express as at 31 December 2015 amounted to €626 million and has been determined by multiplying the closing share price of €7.79 on 31 December 2015 by 80,386,421, the total number of issued ordinary shares held by PostNL. During 2015, the share price of TNT Express increased from €5.54 on 31 December 2014 to €7.79 on 31 December 2015, reflecting FedEx public offer of €8.00 per TNT Express share that was announced on 7 April 2015. The fair value increase of €181 million has been recorded in other comprehensive income.

6.4.2 Provisions for pension liabilities: 129 million (2014: 173)

Accounting policies

For the accounting policies on pension liabilities, reference is made to note 3.4 to the consolidated financial statements.

The company is the sponsoring employer of the main Dutch pension plan, which is externally funded in a separate pension fund and cover the majority of PostNL's employees in the Netherlands.

In accordance with IAS 19R.41, PostNL recognises the net defined benefit cost in the corporate financial statements of the company. The relevant Group companies recognise the costs equal to the contributions payable for the period in their financial statements. In its corporate financial statements, PostNL recognises the contributions received from the relevant Group companies as a benefit that offsets the defined benefit pension expense. The impact of the contributions is represented as participant contributions in the following table.

For the company, the contributions received from the relevant Group companies more than offset the pension expense. As a result, the corporate financial statements record a defined benefit pension income of €3 million (2014: income of 38), whereas the consolidated financial statements record defined benefit pension expenses of €137 million (2014: 95).

The following table reconciles the opening and closing balances of the present value of the defined benefit obligation and the fair value of plan assets, the funded status and the employer pension income for the sponsored pension plan of the company.

Detailed overview of changes in corporate defined benefit plans

(in € millions)

	2015	2014
Change in benefit obligation		
Benefit obligation at beginning of year	(7,550)	(6,363)
Service costs	(123)	(109)
Interest costs	(174)	(224)
Past service costs		36
Other movements	(34)	(24)
Actuarial (losses)/gains	377	(1,066)
Benefits paid	215	200
Benefit obligation at end of year	**(7,289)**	(7,550)
Change in plan assets		
Fair value of plan assets at beginning of year	7,377	6,377
Assumed return on plan assets	169	223
Other movements	39	36
Participants contributions	133	111
Employer contributions	3	
Other costs	(7)	(4)
Actuarial (losses)/gains	(68)	834
Benefits paid	(215)	(200)
Fair value of plan assets at end of year	**7,431**	7,377
Change in funded status		
Funded status at the beginning of year	(173)	14
Operating expenses (incl. participants contributions)	8	46
Interest (expenses)/income	(5)	(1)
Employer contributions	3	
Actuarial (losses)/gains	309	(232)
Funded status at end of year	**142**	(173)
Impact of pension asset ceiling	(142)	
Impact of minimum funding requirement	(129)	
Netted pension liabilities	**(129)**	(173)
Components of employer pension expenses		
Service costs	(123)	(109)
Interest (expenses)/income	(5)	(8)
Past service costs		36
Other costs	(2)	8
Participants contributions	133	111
Post-employment benefit income/(expenses)	**3**	38
Weighted average assumptions as at 31 December		
Discount rate	2.5%	2.3%
Rate of benefit increases	1.1%	1.1%
Life expectancy 65 year old men/women (in years)	20.8/23.0	20.5/22.8

6.4.3 Accounts receivable from Group companies: 27 million (2014: 1) / Accounts payable to Group companies: 309 million (2014: 75)

Accounts receivable from Group companies mainly relates to €22 million outstanding intercompany cross-currency swaps from PostNL Finance B.V. Accounts payable to Group companies mainly relates to €286 million payable to PostNL Finance B.V. (2014: 75). The fair value of the accounts receivable from and payable to Group companies approximated the carrying value, due to the short-term nature.

6.4.4 Eurobonds: 933 million (2014: 907)

For the disclosure on the eurobonds, reference is made to notes 4.1 and 4.4 to the consolidated financial statements.

6.4.5 Other current liabilities: 17 million (2014: 398)

Other current liabilities

(in € millions)

At 31 December	2015	2014
Current interest bearing debt		348
Income tax payable		22
Interest payable	16	23
Other	1	5
Total	17	398

The decrease in income tax payable is due to payments relating to prior years and internal settlements with Group companies within the PostNL fiscal unity.

6.5 Other notes

Reconciliation corporate and consolidated equity and comprehensive income

Consolidated to corporate equity and total comprehensive income

(in € millions)

Year ended at 31 December	2015		2014	
	Equity	Income	Equity	Income
Consolidated: Equity and total comprehensive income	(223)	370	(597)	92
Reconciliation items previous years	2,580		2,617	
Impairment Mail investments	(145)	(145)		
Results from investments	3	3	(47)	(47)
Other comprehensive income (CTA/hedges/associates/pensions)	(11)	(11)	10	10
Total reconciliation items	2,427	(153)	2,580	(37)
Corporate: Shareholders' equity and total comprehensive income	2,204	217	1,983	55

The differences between total shareholders' equity and total comprehensive income according to the IFRS-EU consolidated financial statements and the corporate financial statements under IFRS-EU in general relate to the accounting of the Mail investments at fair value (deemed cost upon adoption of IFRS-EU) in the corporate financial statements and subsequent (reversal of) impairments.

The reconciling items for equity and income are further detailed below.

Reconciliation items

The 'reconciliation items previous years' of €2,580 million in 2015 relate to the difference between the consolidated equity as at 31 December 2014 of -€597 million and the corporate equity of €1,983 million at that date.

For details of the impairment of the Mail investments recognised in the corporate financial statements in 2015, see note 6.4.1 to the corporate financial statements.

The 2015 results from investments were €3 million higher in the corporate financial statements and can be calculated from the result from the corporate income statement of €7 million, plus the impairment of the Mail investments of €145 million, minus the result from the consolidated income statement of €149 million. The difference relates to the difference between the dividend income and the result from the Mail investments. The 2014 results from investments were €47 million lower in the corporate financial statements and can be calculated from the result from the corporate income statement of €178 million, minus the result from the consolidated income statement of €225 million. The difference relates to the difference between the dividend income and the result from the Mail investments.

The reconciliation item 'Other comprehensive income' represents hedge and currency translation adjustments and adjustments for actuarial gains/(losses) which were recognised in the consolidated financial statements but not in the corporate financial statements as the investments are stated at cost. It also represents other comprehensive income from the investments in joint ventures and associates that was recognised in the consolidated financial statements but not in the corporate financial statements.

The 2015 difference in other comprehensive income of -€11 million included €17 million of actuarial gains on pensions, -€8 million of currency translation adjustments related to movements in exchange rate differences on converting foreign subsidiaries and €2 million other items. The 2014 difference in other comprehensive income of €10 million included -€13 million of actuarial losses on pensions and €3 million of currency translation adjustments related to movements in exchange rate differences on converting foreign subsidiaries.

Commitments and contingencies

Declaration of joint and several liability

On 31 December 2015, the company issued a declaration of joint and several liability for some of its Group companies in compliance with article 403, book 2 of the Dutch Civil Code. Those Group companies are:

Declaration of joint and several liability

Cendris Customer Contact B.V.	PostNL E-commerce Services B.V.
Cendris Dataconsulting B.V.	PostNL Holdco B.V.
Euro Mail B.V.	PostNL Holding B.V.
Koninklijke PostNL B.V.	PostNL Pakketten Benelux B.V.
G3 Worldwide Europe B.V.	PostNL Pakketten Holding B.V.
G3 Worldwide Mail N.V.	PostNL Print Management B.V.
Netwerk VSP B.V.	PostNL Real Estate B.V.
PostNL Billing & Document Solutions B.V.	PostNL Real Estate Development B.V.
PostNL Cargo Service B.V.	PostNL Real Estate Holding B.V.
PostNL Data & Document Management B.V.	PostNL Transport B.V.

Fiscal unity in the Netherlands

The company forms a fiscal unity with a majority of its Dutch subsidiaries for corporate income tax and VAT purposes. A company and its subsidiaries that are part of these fiscal unities are jointly and severally liable for the tax payable by these fiscal unities.

Guarantees

In addition to the declaration of joint and several liability in compliance with article 403, book 2 of the Dutch Civil Code, the company provided parental support relating to the following items:
- committed revolving credit facilities of €400 million;
- guarantee facilities of €120 million;
- cash pools of PostNL in the Netherlands and Germany of €80 million;
- ordinary business activities of the Group of €20 million;
- ISDA agreements.

Financial risk management

For disclosure on the company's overall financial risk management programme, reference is made to note 4.3 to the consolidated financial statements.

Financial instruments

For a summary of the company's financial instruments relevant to these corporate financial statements, reference is made to note 4.4 to the consolidated financial statements.

Related party transactions and balances

The company's shares are widely held. As such, no ultimate controlling party can be identified. The company, acting as a holding company, has relationships with a number of Group companies. In some cases, there are contractual arrangements in place under which the company sources supplies from such undertakings or such undertakings source supplies from the company. Transactions are in principle carried out at arm's length.

Related party transactions

(in € millions)

Year ended at 31 December	2015		2014	
	Transactions	Balances	Transactions	Balances
Dividend income PostNL Group companies	200		205	
Dividend income TNT Express stake	2		6	
Accounts receivable from PostNL Group companies/interest income		5	1	1
Accounts payable to PostNL Group companies/interest expense		309	(1)	72
Hedge accounts receivable/(payable) to PostNL Group companies/hedge income/(costs)	5	22	2	(3)
Net financing activities from Group companies	233		(120)	
Income tax received from/(paid to) PostNL Group companies	65		62	
Income tax received from/(paid to) TNT Express	6			

For the compensation of the members of the Board of Management and Supervisory Board, see note 5.1 to the consolidated financial statements.

Separation agreement TNT Express

For details on the separation agreement with TNT Express, see note 5.2 to the consolidated financial statements.

Subsequent events

There were no subsequent events to report.

Subsidiaries and associated companies at 31 December 2015

The full list containing the information referred to in article 379 and article 414 of book 2 of the Dutch Civil Code is filed at the office of the Chamber of Commerce in The Hague.

The Hague, 29 February 2016

Board of Management
H.W.P.M.A. Verhagen (CEO)
J.P.P. Bos (CFO)

Supervisory Board
P.C. Klaver (Chairman)
J. Wallage
M.A.M. Boersma
J.W.M. Engel
A.M. Jongerius
T. Menssen
F.H. Rövekamp

PostNL N.V.
Prinses Beatrixlaan 23
2595 AK The Hague
The Netherlands

Section 7: Other information

Independent auditor's report

To: the general meeting and Supervisory Board of PostNL N.V.

Report on the financial statements 2015

Our opinion

In our opinion, the accompanying consolidated and corporate financial statements as set out on pages 82 to 148 give a true and fair view of the financial position of PostNL N.V. as at 31 December 2015 and of its result and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2015 of PostNL N.V., The Hague ('the company' or 'PostNL'). The financial statements include the consolidated financial statements of PostNL N.V. and its subsidiaries (together: 'the Group') and the corporate financial statements.

The financial statements comprise:

- the consolidated and corporate statement of financial position as at 31 December 2015;
- the following statements for the year ended 31 December 2015: the consolidated and corporate income statement and the consolidated and corporate statements of comprehensive income, changes in equity and cash flows; and
- the notes, comprising a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code for the consolidated financial statements and the corporate financial statements.

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of PostNL N.V. in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA).

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview and context

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the Board of Management made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Board of Management that may represent a risk of material misstatement due to fraud.

We ensured that the audit teams both at group and at component level included the appropriate skills and competences which are needed for the audit of PostNL. We included specialists in the areas of pensions, IT, valuations, real estate and financial instruments in our team.

Materiality
- Overall materiality: €17 million (5% of operating income)

Audit scope
- We conducted audit work in 4 countries.
- Visits were conducted to Germany (Postcon), Italy (Nexive) and the UK (Whistl).
- Audit coverage: 88% of consolidated revenue, 85% of operating income from continued operations and 79% of consolidated total assets.

Key audit matters
- Mitigation of internal control deficiencies;
- Revenue recognition, deferred revenue and revenue and cost of sales related accruals;
- Effects of the sale of Whistl on the financial statements;
- Valuation of goodwill and Mail investments;
- Pension accounting; and
- Restructuring provisions.

Materiality

The scope of our audit is influenced by the application of materiality which is further explained in the section 'Our responsibility for the audit of the financial statements'.

We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements on our opinion.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall group materiality	€17 million (2014: €20 million).
How we determined it	5% of operating income.
Rationale for benchmark applied	We have applied this benchmark, a generally accepted auditing practice, based on our analysis of the common information needs of users of the accompanying financial statements. On this basis we believe that operating income is an important metric for the financial performance of the company.
Component materiality	To each component in our audit scope, we, based on our judgement, allocate materiality that is less than our overall group materiality. The range of materiality allocated across components was between €2 million and €5 million.

We also take misstatements and/or possible misstatements into account that, in our judgement, are material for qualitative reasons.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €850,000 (2014: €1 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

The scope of our group audit

PostNL N.V. is the parent company of a group of entities. The financial information of this group is included in the financial statements of PostNL N.V.

The group audit focused on the significant components of PostNL N.V. within the segments Mail in the Netherlands, Parcels and International (Germany, Italy and the UK). Due to their significance and/or risk characteristics, each of these components required an audit of their complete financial information. For components within the segments Mail in the Netherlands and Parcels the group engagement team performed the work. For components in Italy and the UK we used component auditors from our PwC network firms who are familiar with the local laws and regulations to perform the audit work. For the component Germany, where appropriate, we used the audit procedures performed by Internal Audit and additionally we performed independent audit procedures. We have assessed the objectivity, competence and quality control procedures of Internal Audit. Based on specific risks we selected certain account balances to perform audit procedures within non-significant components.

In total, in performing these procedures, we achieved the following coverage on the financial line items:

Total assets	79%
Revenue	88%
Operating income	85%

None of the remaining components represented more than 2% of total group revenue. For those remaining components we performed, amongst others, analytical procedures to corroborate our assessment that there were no significant risks of material misstatements within those components.

Where the work was performed by component auditors, we determined the level of involvement we needed to have in their audit work to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole. The group engagement team visits the component teams on a yearly basis. The group engagement team conducted visits in Germany (Postcon), Italy (Nexive) and the UK (Whistl) given the significance of these operations for the group and the sale of the UK activities during the financial year. The group consolidation, financial statement disclosures and a number of complex items are audited by the group engagement team at the head office. These include amongst others impairment analysis, accounting of financial instruments, pension accounting, the restructuring provisions and accounting for the sale of Whistl.

By performing the procedures above at components, combined with additional procedures at group level, we have obtained sufficient and appropriate audit evidence regarding the financial information of the group as a whole to provide a basis for our opinion on the consolidated financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements. We have communicated the key audit matters to the Supervisory Board, but they are not a comprehensive reflection of all matters that were identified by our audit and that we discussed. We described the key audit matters and included a summary of the audit procedures we performed on those matters. The key audit matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on these matters or on specific elements of the financial statements. Any comments we make on the results of our procedures should be read in this context.

Key audit matter	How our audit adressed the matter
Mitigation of internal control deficiencies During 2015 PostNL has spent a considerable amount of time in the strengthening of the IT control framework. Execution of strategic IT projects at the same time reduced the execution power to remediate existing control deficiencies in the area of change management, segregation of duty conflicts and logical access security relating to the financial system and certain underlying operating systems. Furthermore, in Germany the Postcon organisation faced capacity constraints as a result of a reorganisation. This resulted in insufficient attention to internal controls in 2015 especially in the area of revenue. These internal control deficiencies increased the risk of misstatements in financial reporting. Management and Internal Audit performed additional procedures to mitigate these risks.	Our audit procedures included evaluating and testing the additional procedures management put in place to remediate the related risks and the work performed by Internal Audit. In addition we performed additional substantive testing, comprising of, amongst others, assessing whether access rights had not been inappropriately used, validation of transactions processed in areas where segregation of duties conflicts existed, additional testing of revenue transactions, and reconciliation between operational and financial data.
Revenue recognition, deferred revenue and revenue and cost of sales related accruals *See Chapter 15: Note 1.3 to the financial statements for the directors' disclosures of the related accounting policies, judgements and estimates Note 2.1.1 (Revenue) and Note 3.1.3 (Accrued current liabilities).* Revenue within PostNL includes revenue based on contracts with regulated and non-regulated services, which are subject to complex calculations and other subjective measures. Measuring the amount of revenue and cost of sales, involves the determination of the appropriate timing of recognition, a consistent approach and for certain revenue streams significant management judgement. The main subjective areas are related to deferred revenues including unused stamps, unbilled expenses for the last mile delivery by other postal service companies (terminal dues) and revenue related accruals such as volume discounts and rebates related to volumes handled.	Our audit procedures included, amongst others, the evaluation and testing of the controls that PostNL has put in place over its process to enter into and record customer contracts and the internal accrual processes. We tested the revenues recorded to the underlying contracts and price lists on a sample basis. This testing included evaluating the contractual conditions and prices. Furthermore, we challenged and tested the assumptions and methodologies used by the company, against contractual agreements, volume and price developments and historical information in assessing deferred revenue and (cost of) revenue related accruals. Additionally, we tested whether revenue was recorded through journal entries outside normal business processes.

Key audit matter	How our audit adressed the matter
Effects of the sale of Whistl on the financial statements *See Chapter 15: Note 1.2 to the financial statements for the directors' disclosures of the related accounting policies, Notes 2.5 and 3.10 on Segmentation, Note 3.6 Investments in joint ventures and associates and Note 3.8 Assets classified as held for sale.* In October 2015 PostNL sold 82.5% of its stake in Whistl (UK) to management of Whistl. Whistl has been presented as discontinued operations in the 2015 financial statements of PostNL and accounted for as investment in associates at year end 2015, valued in accordance with the equity method. This had a significant impact on the financial statements.	Our audit procedures included reviewing legal documentation underlying the transaction, evaluating the criteria and timing, assessing the application of criteria for assets held for sale classification and as discontinued operations and verifying the correct disclosure. We assessed on the basis of documentation the new classification as investment in associates, initial recognition of this investment at fair value and subsequent accounting in accordance with the equity method. Further, we performed specific audit procedures over the balance sheet position as per date of completion of the transaction and the results over the period up to completion.
Valuation of goodwill and Mail investments *See Chapter 15: Note 1.3 to the financial statements for the directors' disclosures of the related accounting policies, judgements and estimates and Notes 3.3 (Intangible fixed assets in the consolidated FS) and 6.4.1 (Total financial fixed assets in the corporate FS).* Goodwill (€90 million) is recorded in the consolidated accounts. The company is required to annually test the goodwill balance for impairment. Furthermore, the carrying amount of the Mail investments in the corporate statement of financial position (€2,944 million) has been tested for impairment following impairment triggers such as the company's share price and external and business developments, which resulted in an impairment charge in 2015 amounting to €145 million. The impairment tests were important to our audit because the assessment requires significant judgement in determining the assumptions to be used for the cash flow forecast. These assumptions include overall market and economic conditions besides the results of the restructuring programme, price and volume developments.	Our audit procedures included, amongst others, an evaluation of the group's policies for impairment testing and procedures to identify triggering events for potential impairment. We reconciled management's main cash flow assumptions to internal forecasts and strategic plans that were approved by senior management, and tested the main assumptions against external data as well as historic trend analyses. We also compared the current year actual results with the 2015 financial information included in the prior year forecast to consider whether the assumptions included in the forecast, with hindsight, had been realistic. We involved our valuation experts to evaluate the impairment calculations and valuation methodology applied, including assessment of the WACC calculated by the group. We also reviewed related disclosures in the financial statements whereby specific attention has been given to the sensitivity disclosures relating to the Mail investments considering the impairment recognised in 2015 to the recoverable value resulting in no headroom.
Pension accounting *See Chapter 15: Note 1.3 to the financial statements for the director's disclosures of the related accounting policies, judgements and estimates and detailed pension disclosures in Notes 3.4 and 6.4.2.* PostNL has a defined benefit plan with a significant impact on both the overall balance sheet, equity and result of the group. The valuation of the pension liability requires significant levels of judgement and technical expertise in choosing appropriate assumptions such as pension accrual rate, inflation, discount rates and mortality. These can have a material impact on the calculation of the liability. Also there is a risk that the pension plan assets may be overstated. PostNL receives third party assurance reports on controls within the pension fund.	Our audit procedures included the evaluation of management's assessment of the assumptions they made concerning the valuation of the assets and liabilities in the pension plan, the appropriateness of recognition of changes in the pension plans, reconciling plan assets to supporting documentation and testing the adequacy of employee data used for the pension liability. Furthermore, we evaluated the controls relating to the pension position on the basis of third party assurance reports. Our pension experts assisted us in evaluating the actuarial and demographic assumptions, funding ratio and valuation methodologies used by PostNL. We assessed the assumptions on the basis of external market data, internal HR data, mortality tables and information from the pension fund. We assessed that the methodology was consistently applied. We paid special attention to the expected decrease of the accrual rate applied in the calculations due to the effect of the maximized cash pension cost in relation to the pensionable salary base. Furthermore, we reviewed the related disclosures, including sensitivity analysis. We tested the plan assets by performing detailed testing on existence and on valuation based on external pricing data.
Restructuring provisions *See Chapter 15: Note 1.3 to the financial statements for the directors' disclosures of the related accounting policies, judgements and estimates and Note 3.5 Other provisions.* PostNL has a restructuring provision as at 31 December 2015 of €64 million. The company continued the restructuring of its activities in the Netherlands with the cost savings program. The important areas which drive the restructuring program are based on management estimates including the number of staff members involved, percentage of voluntary leavers and the level of redundancy payments.	Our audit procedures included challenging and testing of the assumptions made by management concerning their calculation of the restructuring provisions against historical data and supporting documentation such as (approved) restructuring plans, the social plan as agreed with the works council and communication to personnel. We tested the withdrawals from the provision against actual payments to employees on a sample basis. Furthermore, we reviewed the disclosures in the financial statements.

Responsibilities of the Board of Management and the Supervisory Board

The Board of Management is responsible for:

- the preparation and fair presentation of the financial statements in accordance with EU-IFRS and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the Report of the Board of Management, pages 2 through 75 in accordance with Part 9 of Book 2 of the Dutch Civil Code, and for
- such internal control as the Board of Management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the Board of Management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Board of Management should prepare the financial statements using the going concern basis of accounting unless the Board of Management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The Board of Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our audit opinion aims to provide reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high but not absolute level of assurance which makes it possible that we may not detect all misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A more detailed description of our responsibilities is set out in the appendix to this report.

Report on other legal and regulatory requirements

Our report on the Report of the Board of Management and the Other information

Pursuant to the legal requirements of Part 9 of Book 2 of the Dutch Civil Code (concerning our obligation to report about the Report of the Board of Management and Other information):

- We have no deficiencies to report as a result of our examination whether the Report of the Board of Management, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required by Part 9 of Book 2 of the Dutch Civil Code has been annexed.
- We report that the Report of the Board of Management, to the extent we can assess, is consistent with the financial statements.

Our appointment

We were appointed as auditors of PostNL N.V. in 1997 by the Supervisory Board following the passing of a resolution by the shareholders at the annual meeting representing a total period of uninterrupted engagement appointment of 19 years. Following mandatory firm rotation we will rotate off as auditors after the audit of 2015.

Amsterdam, 29 February 2016

PricewaterhouseCoopers Accountants N.V.

Originally signed by:

H.C. Wüst RA

Appendix to our auditor's report on the financial statements 2015 of PostNL N.V.

In addition to what is included in our auditor's report we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. Our audit consisted, among others of:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Management.
- Concluding on the appropriateness of the Board of Management's use of the going concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Considering our ultimate responsibility for the opinion on the company's consolidated financial statements we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the supervisory board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Extract from the articles of association on appropriation of profit

Under PostNL's current articles of association, the dividend specified in article 31, paragraph 1 will first be paid on the preference shares B if outstanding. Subject to the approval of PostNL's Supervisory Board, the Board of Management will determine thereafter which part of the profit remaining after payment of dividend on any preference shares B will be appropriated to the reserves (article 31, paragraph 2). The remaining profit after the appropriation to reserves shall be at the disposal of the General Meeting of Shareholders (article 31, paragraph 3). No dividend shall be paid on shares held by PostNL in its own capital (article 31, paragraph 6). Preference shares B were not issued in 2015.

Dividend proposal 2015

According to our dividend policy, conditions for paying out a dividend are positive consolidated equity and certainty of a BBB+/Baa1 credit rating. Both conditions were not met in 2015. Accordingly, there will be no dividend proposal. In addition, negative distributable corporate equity of -€1 million at 31 December 2015 would have restricted the payout of dividend.

Appropriation of profit

The Board of Management, with the approval of the Supervisory Board, has appropriated an amount of €7 million out of profit to the reserves. No amount remains that is at the disposal of the Annual General Meeting of Shareholders. Subject to the adoption of PostNL's financial statements by the Annual General Meeting of Shareholders, no 2015 dividend is proposed.

Upon approval of this proposal, profit will be appropriated as follows:

Appropriation of corporate profit

(in € millions)

	2015
Profit attributable to the shareholders	7
Appropriation in accordance with the articles of association:	
Reserves adopted by the Board of Management and approved by the Supervisory Board (article 31, paragraph 2)	(7)
Dividend on ordinary shares	0
(Interim) dividend paid in cash	0
Final dividend	**0**

CR Performance Statements

16 CR Performance Statements

Customer indicators

	Notes	2015	2014	2013	2012	2011
Customer satisfaction as percentage of total customers	2.1	86%	85%	83%	79%	Not reported
Delivery quality of Mail in the Netherlands (preliminary)	2.1	96.4%	96.7%	95.8%	93.9%	96.1%
ISO 9001 certification (percentage of total FTE working in certified sites)	2.1	96%	91%	91%	91%	96%

People indicators

	Notes	2015	2014	2013	2012	2011
Workforce	3.1					
Headcount		49,174	52,364	56,475	64,721	64,219
Headcount out of CR reporting scope		1,897	1,842	1,983	2,444	2,166
Headcount in CR reporting scope		**47,277**	**50,522**	**54,492**	**62,277**	**62,053**
Full time equivalents (FTE)		25,074	26,361	28,844	31,842	32,614
FTE out of CR reporting scope		1,426	1,409	1,365	1,834	1,926
FTE in CR reporting scope		**23,648**	**24,952**	**27,479**	**30,008**	**30,688**
Employee engagement	3.2					
Employee engagement score (percentage of engaged employees)		64%	59%	57%	56%	56%
Recruitment and career development	3.3					
Training hours per FTE		21	18	17	23	21
Investors in People certification (% of headcount working in certified sites)		93%	94%	94%	95%	96%
Diversity and inclusion	3.4					
Percentage of females in management		25%	23%	24%	21%	22%
Health and safety	3.5					
Fatal accidents		3	2	0	3	3
Serious accidents		25	16	24	24	32
Lost time accidents		688	538	615	631	671
As frequency rate per 100 FTEs		2.9	2.2	2.2	2.1	2.2
OHSAS 18001 certification (percentage of FTE working in certified sites)		95%	89%	89%	91%	94%
Absenteeism (percentage of total working hours)		5.0%	5.2%	5.5%	5.8%	5.8%
Blameworthy road traffic incidents (per 100,000 kilometres)		4.0	4.3	4.3	4.7	5.1
As percentage of total road traffic incidents		85%	84%	79%	65%	72%

Environmental indicators

	Notes	2015	2014	2013	2012	2011
CO_2 efficiency index	4.1	**51.4**	56.1	57.3	60.8	64.1
Buildings	4.2					
Efficiency (kg CO_2 per m^2)		8.5	13.1	14.7	20.0	22.2
Electricity usage in KwH/m^2 building		103	105	107	118	120
Sustainable electricity usage (as % of total electricity usage)		89%	82%	79%	82%	85%
Gas usage in m^3/m^2 building		6.0	6.2	9.3	10.1	9.7
Small trucks and vans	4.3					
Efficiency (gr CO_2 per km)		231	239	243	238	240
Fuel usage liters diesel/100 km		9.2	8.8	9.1	8.9	9.1
Vehicles complying with Euro 6		2%	0%	0%	0%	0%
Vehicles complying with Euro 5		97%	95%	77%	55%	38%
Vehicles not complying with Euro 6 or Euro 5		1%	5%	23%	45%	62%
NO_x emissions in kg		15,032	16,669	18,907	22,629	31,592
NO_x emissions (gr/km)		0.28	0.30	0.32	0.35	0.37
PM_{10} emissions in kg		303	732	1,421	2,331	3,855
PM_{10} emissions (gr/km)		0.01	0.01	0.02	0.04	0.05
Large trucks	4.4					
Efficiency (gr CO_2 per km)		714	711	696	676	709
Fuel usage liters diesel/100 km		26.7	26.7	26.1	25.4	26.7
Vehicles complying with Euro 6		57%	53%	29%	0%	0%
Vehicles complying with Euro 5		43%	47%	71%	87%	85%
Vehicles not complying with Euro 6 or Euro 5		0%	0%	0%	13%	15%
NO_x emissions in kg		28,317	35,783	48,236	54,428	66,140
NO_x emissions (gr/km)		1.07	1.28	1.84	2.30	2.37
PM_{10} emissions in kg		362	418	574	693	871
PM_{10} emissions (gr/km)		0.01	0.01	0.02	0.03	0.03
Absolute carbon footprint (in ktonnes)	4.5					
Small trucks and vans		14	14	14	16	20
Large trucks		19	20	20	18	20
Heating (gas, heating fuel)		9	10	16	16	16
Scope 1 gross		**42**	**44**	**50**	**50**	**56**
Compensated carbon emissions Greengas trucks (credits)		(1)	(0)			
Sustainably sourced carbon emissions heating (biogas)		(2)	(2)	(2)	(2)	(3)
Scope 1 net		**39**	42	48	48	53
Electricity (including electric vehicles)		39	42	47	48	44
District heating		1	1	1	1	0
Scope 2 gross		**40**	**43**	**48**	**49**	**44**
Sustainably sourced carbon emissions (sustainable electricity)		(34)	(36)	(40)	(39)	(38)
Compensated carbon emissions buildings (credits)		(6)	(6)	(6)	(4)	
Scope 2 net		**0**	1	2	6	6
Company cars		8	8	8	7	7
Business travel by air		1	1	1	1	1
Subcontractors		239	147	107	102	98
Scope 3 gross		**248**	**156**	**116**	**110**	**106**
Compensated carbon emissions company cars (credits)		(8)	(8)	(8)	(7)	(7)
Compensated carbon emissions business travel by air (credits)		(1)	(1)	(1)	(1)	(1)
Scope 3 net		**239**	**147**	**107**	**102**	**98**
PostNL's own gross carbon footprint (total scope 1 and 2)		82	87	98	99	100
PostNL's own net carbon footprint (total scope 1 and 2)		39	43	50	54	59
PostNL's total gross carbon footprint (total scope 1, 2 and 3)		330	243	214	209	206
PostNL's total net carbon footprint (total scope 1, 2 and 3)		278	190	157	156	157
Other environmental indicators						
ISO 14001 certification (percentage of total FTE working in certified sites)	4.6	96%	90%	90%	91%	95%

Section 1: Basis of preparation

In this section...

This section sets out PostNL's Corporate Responsibility (CR) reporting policies and guidelines applied in the CR performance statements. We give an overview of the reporting process and critical estimates and judgements. At the end of the section, we provide an overview of the scope of the CR performance statements and data revisions.

1.1 General

We report on our CR policy and performance statements, which are in accordance with the comprehensive option of the latest Global Reporting Initiative (GRI) G4 guidelines. Under these guidelines there is a strong focus on materiality. We consider topics to be material when they have a direct or indirect impact on our ability to create, preserve or weaken long-term value for us and our stakeholders.

Long-term value creation is an integral part of our strategy. This is why it is important to have reliable and assured information on our CR performance, both internally and externally, so that all our stakeholders can make informed decisions to engage with our company. Consequently, we have integrated the monitoring and managing of financial and CR performance into our daily data processes and engaged our external auditor PwC to provide reasonable assurance on the CR information. PwC's assurance covers the following chapters: We are PostNL, Message from the CEO, Our value creation process, Developing our strategy, Our strategy, Implementing our strategy in 2015, and the CR performance statements.

1.2 Materiality analysis

As part of our materiality process, we looked at a combination of internal and external factors, including market trends, the competition & regulatory environment, our core competences, PostNL 2020, concerns expressed directly by stakeholders, and broader expectations of society. As part of this process, we created a four-step approach to determine material topics: identifying stakeholders; stakeholder dialogue; guidelines and benchmarks and selection of material topics.

Identifying stakeholders

From the analysis of our value creation process, we determined our main stakeholder groups. The table below outlines our main stakeholder groups and their interests.

Stakeholders	Value for our stakeholders	Stakeholder relevancy for us	Our relevancy for our stakeholders
Customers	We continue to broaden the services that we offer our customers, locally and internationally, to surpass their expectations. We deliver value by anticipating our customers' needs, thereby making their lives easier.	• Customers are important for business continuity	• We provide sustainable mail and parcel services and ensure smooth distribution • We add value to our customers' business
Investors	We create value for our investors through our financial strategy, which is targeted at a strong financial position, reducing debt, restoring dividend, and investing in growth.	• Capital sourcing • Credit rating	• We provide returns on investment • We offer a sustainable investment
People	We provide a safe working environment, where people are respected and valued, and feel confident to be themselves. This environment enables our people to develop their skills and talent, creating sustainable employability.	• Employees are the core of our organisation • Business partners are an important part of our networks • Employees and business partners influence customer satisfaction	• Sustainable employment and long-term partnership are key drivers for our people
Environment	We deliver value by improving, wherever possible, the environmental efficiency of our delivery networks, thereby minimising our impact on the environment.	• Environmental efficiency is important in realising our business ambitions • We strive to minimise our environmental impact, while maintaining high-quality delivery standards	• We strive to improve our environmental impact • As a postal and logistics solution provider, we have a significant environmental footprint
Society	We create value for society by ensuring our services remain accessible and reliable, while maintaining healthy relationships with regulators and government bodies. At the same time, we adapt to society's changing demands by developing innovative solutions.	• Definition/adjustment postal law • Reputation	• We provide accessible and reliable mail and parcel services • We ensure transparant tariffs • We safeguard the privacy of customers

Stakeholder dialogue

We focus on the interests of all of our stakeholders in different ways, enabling us to balance their needs. To help us understand these needs, we hold annual stakeholder dialogues.

In 2015, our annual stakeholder dialogue was attended by customers, investors, employees, independent parcel delivers, local government representatives and social organisations. For the first time we also involved a Kids Counsel, an initiative of the Missing Chapter Foundation. Young people are our future stakeholders, with their own expectations and ideas about our future business, which they provided to us during the meeting.

The stakeholder dialogue focused on the question 'What will ordering and delivery look like in 2020, and what are the requirements for PostNL to be successful?' Additionally, a range of other topics were discussed during the dialogue, including:

- Focusing on raising awareness on sustainable cooperation among companies that we work with, as well as among customers who are ordering and receiving mail and parcels.
- How to transition to fossil-fuel-free logistics, which our stakeholders see as key to becoming the deliverer of the future.

More information on how we engage with our stakeholders can be found in the *Case study: Stakeholder dialogue* (postnl.nl/stakeholderdialogue).

As well as the annual stakeholder dialogue, we have regular contact with our suppliers. We maintain a sustainable purchase policy, urging our suppliers to conduct operations in a socially and environmentally sound manner, and constantly discuss the possibility of improvements with them. We will continue to advocate this policy by setting an example through our own sustainability approach. While we use a wide range of suppliers across the company, subcontractors have the most material impact on our CR performance. Consequently, we have chosen to include subcontractors in the scope of emissions and fatalities in our CR KPIs.

To reduce the impact our purchasing has on the climate and society as much as possible, we select suppliers that are proactive and innovative in delivering socially responsible products and services. Additionally, we always conduct business on the basis of general purchasing terms and conditions, our business principles and our Sustainable Supply Chain policy. This contains policies based on the latest OECD guidelines. We establish measurable objectives and targets to maintain and continually improve our supplier and (sub)contractor performance. When a supplier or (sub)contractor can't meet our standards we will stimulate them to develop improvement plans on the relevant themes. We will use the results of our stakeholder dialogue to further refine our sustainable purchasing plans.

Guidelines and benchmarks

Our assessment of material topics is also based on dominant topics in guidelines and benchmarks, such as GRI guidelines, the UN Global Compact, OECD guidelines, Dow Jones Sustainability Index and the Carbon Disclosure Project. The following benchmarks are particularly important for us:

- **Dow Jones Sustainability Index (DJSI):** For the second year in a row, we were ranked as Gold Class within the DJSI. In 2015 our score was 82 out of 100 (2014: 83). The DJSI is a worldwide benchmark in which organisations are judged on a broad range of themes. The DJSI is important to us as we can compare our results over time, and benchmark our progress against our peers. More information is available at: www.sustainability-indices.com.
- **Transparantie Benchmark (TB):** In 2015 our score was 179 out of 200 (2014: 168), improving our ranking from twenty-sixth to nineteenth. The TB is a benchmark organised by the Dutch ministry of Economic Affairs which compares annual reports of Dutch institutes on several transparency criteria. Participation provides us with feedback and ideas about our Annual Report. More information is available at: www.transparantiebenchmark.nl.
- **International Postal Corporation (IPC):** We retained our top-three position within the IPC benchmark. The IPC is a worldwide corporation of national providers of postal services. It has defined sector goals on reduction of CO_2 emissions. An annual questionnaire provides information about the sector's improvements. This information is also used to benchmark the different postal service providers. More information is available at: www.ipc.be.
- **Carbon Disclosure Project (CDP):** In 2014 we were ranked as the highest new entrant, and in 2015 we improved our score to 99 out of 100 (2014: 96). The CDP is an international not-for-profit organisation providing a global system for companies and cities to measure, disclose, manage and share vital environmental information. More information is available at: www.cdp.net.

Selection of material topics

From the list of material topics that we identified based on the first three steps, we made a selection of topics which are most relevant to our stakeholders and our business. In the figure below, those topics in the upper right-hand corner of the matrix are the most material, and are reported on quantitatively. The middle section contains topics that are qualitatively disclosed in the report. A number of topics discussed with our stakeholders, or identified from benchmarks, are defined as non-material to our business and are therefore not reported on.

Quantitatively reported in the Annual Report 2015

- Accessible and reliable
- Customer satisfaction
- Diversity and inclusion
- Economic performance
- Employee engagement
- Environmental impacts
- Health & Safety
- Managing large work force
- Recruitment and career development

Qualitative disclosure in Annual Report 2015

- Culture
- Dividend
- Fair taxation
- Responsible redesign
- Flexible and sustainable partnerships
- Sustainable innovation
- Transparent media relations

Not reported

- Biodiversity
- Grievance mechanisms
- Recycling
- Waste
- Water

Quantitatively reported in the Annual Report 2015

Accessible and reliable:

We continually improve the efficiency and quality of our mail sorting and distribution by introducing innovative sorting machines, helping to keep mail accessible and reliable. For Parcels, we introduce innovative delivery options, giving customers greater control over where and when their goods are delivered. Internationally, Spring Global Delivery Solutions provides convenient, optimised, and customised international mail and package solutions.

Customer satisfaction:

We continuously focus on improving customer satisfaction and the quality of our services. From our customer satisfaction surveys, we know that customers view high quality services, ease of use, fast and efficient resolution of problems, and good customer contact as the most important aspects of doing business with us.

Diversity and inclusion:

We are convinced that diversity amongst our workforce and management, which reflects the diversity within society, is crucial. It creates a healthier, more sustainable working environment, and is vital in realising our ambitions. This is why we hire qualified people who fit within our culture, irrespective of their ethnicity, gender, age or sexual orientation.

Economic performance:

We focus on a strong financial position, which involves ongoing business improvement and solid cash management. This will enable us to restore dividend and create long-term value for our shareholders. Capital allocation will be directed at reducing debt, restoring dividend, and investing in growth.

Employee engagement:

Engaged and motivated employees are essential for PostNL. Our employees provide the high-quality services and products that determine customer satisfaction and loyalty. Our aim is to continuously improve the engagement of our employees.

Environmental impacts:

We strive to improve our environmental impact by lowering our energy consumption and using bio-based energy as much as possible.

Health and Safety:
We focus on accident prevention and employee safety. To achieve this, we invest in safe working conditions and driver training to minimise the number of accidents.

Managing large workforce:
We are a people company and as such managing our workforce successfully is vital for our business success. Our people keep the company running, from the truck drivers in the early morning to the mail sorters late at night; from innovative thinkers to the support staff; and of course our mail and parcel deliverers.

Recruitment and career development:
We recognise that having the right talent is vital for the future of the company, from the operators of our next-generation sorting machines to senior managers. Personal development is an important driver for most of our employees. It stimulates engagement and is key for the future success of PostNL.

Qualitative disclosure in the Annual Report 2015

Culture:
The OnePostNL culture, in which we focus on working together for one PostNL enables us to increase knowledge sharing across the business segments, which helps us to outperform customer expectations.

Dividend:
We are committed to improving the company's financial position in order to resume paying dividend as early as possible.

Fair taxation:
We adhere to the tax laws and related rules and regulations in the countries in which we conduct our business. Our tax planning is guided by good business sense. As well as creating and maintaining a tax control environment that ensures such compliance, we also believe that developing a relationship with tax authorities based on trust and transparency is an important part of our tax strategy.

Responsible redesign:
Our focus is on helping those employees affected by job cuts to find work elsewhere, either within the company or externally. The mobility programme offers a complete work-to-work solution, including workshops, training sessions, and job consultations.

Flexible and sustainable partnerships:
An integral part of our business involves working closely with external business partners, including our independent parcel deliverers. We focus on developing long-term partnerships, and strive to better understand our business partners' needs and wishes.

Sustainable innovation:
Sustainable innovation is about developing a business that can grow sustainably over the long term. Through sustainable innovation we also focus on contributing to a more sustainable society, by improving the efficiency and effectiveness of our delivery solutions.

Transparent media relations:
We maintain contact with the media and the financial community, ensuring that they are informed about relevant developments in our company in a transparent and timely way.

1.3 CR reporting process

We established a dedicated CR reporting process that enables us to report on our performance and progress. CR data is collected on a monthly basis using a dedicated IT system, and is then consolidated and analysed centrally. We use company-wide definitions when reporting on the data, which are in-line with the GRI G4 guidelines. These definitions can be found in Appendix 5: Glossary and definitions. An overview of all GRI indicators, as well as where they can be found in this report, is included in Appendix 3: Global Compact and GRI G4 index.

All reported data are subject to internal validation procedures on the basis of the data owner (first line of defense) as well as at the data validator level (second line of defense). We have an integrated internal control framework in place which specifies all financial and CR control procedures and its timing and reporting formats. Our internal audit department also periodically performs audits on the quality of data.

Scope of the report

The report includes CR data from all entities that are either fully or majority owned by PostNL. In accordance with our policy on CR reporting, all companies acquired in any given year must report CR data from the following year. PostNL companies that are divested – a full or partial sale, whereby we no longer retain a direct or indirect controlling interest – are excluded from the CR reporting scope for the entire year in which the divestment took place.

We excluded Regioservice and Turbopost (both part of our German business Postcon) from the CR reporting data, as they are transitioning towards a model in which local entrepreneurs are made responsible for the business in the region. We also did not include employees of joint ventures, associates, and commission-contracted workers in our CR reporting scope. Commission-contracted workers are paid by output and do not have a labour contract.

As subcontractors play an important role in our business, we include the impact they have in terms of absolute CO_2 emissions and fatal road traffic accidents. These subcontractors include independent parcel deliverers, and other external parties that transport mail or parcels for us, such as air freight carriers.

Use of estimates and judgements

In determining our CO_2 emissions, we use CO_2 conversion factors taken from the 2015 UK DEFRA tables. These conversion factors relate to internationally acknowledged organisations, such as the Intergovernmental Panel on Climate Change, the International Energy Agency and the Greenhouse Gas Protocol.

Figures related to our own CO_2 emissions, where no full data coverage is available, are extrapolated to reflect the entire PostNL organisation, unless stated otherwise. Extrapolation is done on the basis of full-time equivalent (FTE) coverage or square metres. The FTE and headcount data in the table for New Hires and Turnover is based on the number of employees in the Netherlands, and the data was then extrapolated to cover the entire company.

The accuracy and completeness of CR data depends on the method of measurement, the calculation procedure and whether estimates have been used. Estimates are based on historical experience and other factors, including expectations that we believe are reasonable under the circumstances.

We define coverage as the number of FTEs working in entities that report data, divided by the total number of FTEs in the CR reporting scope. We aim to annually increase our FTE coverage. The data clarification table in Appendix 4 shows the coverage per indicator. We have taken all reasonable steps to ensure that the CR information in this Annual Report is accurate.

The carbon emissions impact for subcontractors is determined based on secondary indicators, such as kilometres driven. This is because primary data, such as fuel consumption, are not available. One significant estimation made is carbon emissions as a percentage of total costs for delivery by subcontractors. The estimations made are, amongst others, derived from tonnes of CO_2 emissions per million of euro turnover as reported in the externally published annual reports of Royal Mail and Deutsche Post DHL Group. This means that there are inherent limitations to the accuracy of the reported subcontractor carbon emissions figures. The most important ones:

- The subcontractor model is based on operational systems within PostNL, but for some subcontractor activities planned figures are used instead of actual figures.
- For commercial airline haul, the subcontractor model uses volumes and kilogrammes of mail, which are based on actual 2015 data.
- The latest Royal Mail figures, as per 31 March 2015 and reported in their Annual Report 2014/15. For Deutsche Post DHL Group we applied the latest figures as reported in their annual report 2014.

Data revision

During 2015 PostNL and the management of Whistl completed the management buy-out of Whistl. As part of the transaction, we retained a 17.5% stake. In accordance with our CR reporting policy, Whistl is no longer in scope for PostNL's CR reporting over 2015. For comparability reasons all actual CR figures for the years 2011 - 2014 have been revised for the exclusion of Whistl. For some of our CR topics we have displayed the impact of this revision in the table below.

During 2015 we detected and revised a misstatement in our absenteeism reporting. Due to an incorrect definition used in Mail in the Netherlands in prior years, our absenteeism was underestimated by 0.2% (rounded nominal impact) and revised all historical numbers for this misstatement. For the Blameworthy Road Traffic Incidents (BRTI), we used a new estimation method for our Parcels segment, and revised the (historical) data.

Effect of data revision

	2014	2013	2012	2011
Workforce				
Headcount in CR reporting scope				
Before data revision	54,351	57,269	63,966	63,333
After data revision	50,522	54,492	62,277	62,053
FTE in CR reporting scope				
Before data revision	27,508	29,626	31,452	31,892
After data revision	24,952	27,479	30,008	30,688
Health and safety				
Absenteeism [1]				
Before data revision	4.7%	5.1%	5.5%	5.4%
After data revision	5.2%	5.5%	5.8%	5.8%
Blameworthy road traffic incidents (per 100,000 kilometres)				
Before data revision	3.4	3.5	3.8	4.3
After data revision	4.3	4.3	4.7	5.1
Environmental impact				
CO_2 efficiency index				
Before data revision	57.9	58.2	64.8	65.2
After data revision	56.1	57.3	60.8	64.1
Scope 1 net				
Before data revision	59	65	63	68
After data revision	42	48	48	53
Scope 2 net				
Before data revision	9	5	7	7
After data revision	1	2	6	6
Scope 3 net				
Before data revision	184	134	132	0
After data revision	147	107	102	98

1. Revised absenteeism results include the effect of both the exclusion of Whistl and the revision of the misstatement.

Section 2: Customer indicators

In this section...

This section sets out how we measure the way our customers view us. We create value by focusing on the interests of our customers, which ranges from introducing innovative services and solutions to constantly striving to better our customer contact. The results of these efforts are indicated in the following customer indicators.

2.1 Customer indicators

	2015	2014	2013	2012	2011
Customer satisfaction as percentage of total customers	86%	85%	83%	79%	Not reported
Delivery quality of Mail in the Netherlands (preliminary)	96.4%	96.7%	95.8%	93.9%	96.1%
ISO 9001 certification (percentage of total FTE working in certified sites)	96%	91%	91%	91%	96%

We measure customer satisfaction through an online survey, which looks at how we resolve complaints, the delivery time of letters and parcels, and the quality of our delivery. In 2015, we improved on the handling of complaints and managed to reduce the number of complaints by 13%. Additionally, we introduced our Business Portal for our business customers. These improvements aided in achieving a one percentage point increase in customer satisfaction compared to 2014. Since 2012 our customer satisfaction score has increased significantly, which we believe is due to our greater focus on our culture and customers.

Customer satisfaction is partly determined by the quality of our mail delivery. Each year we hire an independent research firm to test our delivery process, by sending trackable letters through our network. These letters are scanned along the entire sorting process, enabling us to identify any delays. Such measures helped us maintain a delivery quality for standard mail in 2015 of 96.4%, well above the minimum required level of 95%.

We offer our business customers a carbon neutral delivery proposition via our website www.groenepost.nl. They can compensate the CO_2 impact of the letters and parcels they sent via PostNL. The CO_2 impact of the compensated sendings is calculated at 10 kilotonnes CO_2 (2014: 10). These emissions were compensated using Gold Standard credits. To encourage customers to compensate the carbon emissions of the mail and parcels they send with us, we double the amount paid by customers for CO_2 compensation, up to a maximum of €50,000. This additional contribution is invested in green projects in the Netherlands.

A tool we use to manage overall quality is ISO 9001 certification. ISO 9001 sets requirements for continuous quality improvements across the company, with a focus on providing better service and quality. We encourage all PostNL companies to acquire ISO 9001 certification. In 2015, the percentage of FTEs working at ISO 9001 certified sites increased to 96%, resulting from the successful inclusion of our head office departments in the audit scope.

Section 3: People indicators

In this section...

This section sets out the results related to our people.

If it were not for our people, there would be no PostNL. Our people keep the company running, from the truck drivers in the early morning to the mail sorters late at night; from innovative thinkers to the support staff; and of course our mail and parcel deliverers.

We have created a working environment in which our employees feel valued and at home and are given the opportunity to grow and develop. And we provide employees with training and, when necessary, new career opportunities. We invest in a sustainable future, both for our company and for the people who work for and with us.

The outcome of these efforts are monitored and measured through employee turnover, employee engagement, recruitment and career development, diversity and inclusion, and health & safety indicators and are outlined below.

3.1 Workforce

	2015	2014	2013	2012	2011
Headcount	49,174	52,364	56,475	64,721	64,219
Headcount out of CR reporting scope	1,897	1,842	1,983	2,444	2,166
Headcount in CR reporting scope	**47,277**	**50,522**	**54,492**	**62,277**	**62,053**
Full time equivalents (FTE)	25,074	26,361	28,844	31,842	32,614
FTE out of CR reporting scope	1,426	1,409	1,365	1,834	1,926
FTE in CR reporting scope	**23,648**	**24,952**	**27,479**	**30,008**	**30,688**

For the purpose of the CR performance statements, we do not report on employees of joint ventures in which we have a minority stake, or new entities that were purchased during the reporting year.

Our workforce in general declines in line with the ongoing decline in mail volumes in the Netherlands. However, this is partially offset by the growth in our Parcels and International businesses. We expect the number of FTEs to further decline in the coming years, as result of our cost savings programmes.

New hires and turnover

	2015		2014		2013		2012		2011	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Workforce at Jan 1	50,522		54,492		62,277		62,053		63,245	
Workforce by gender	28,160	22,362	30,878	23,614	35,924	26,353	36,276	25,777	37,342	25,903
New hires										
< 30	3,332	3,136	3,830	3,126	4,289	3,070	6,549	4,245	6,200	3,785
30-50	1,782	3,139	1,556	2,588	1,458	2,246	2,662	3,300	2,514	3,393
>50	2,251	1,354	1,667	920	1,383	742	2,016	1,020	1,770	881
Total new hires	7,365	7,629	7,053	6,634	7,130	6,058	11,227	8,566	10,485	8,059
Total	14,994		13,687		13,188		19,793		18,544	
Percentage of total headcount	26%	34%	23%	28%	20%	23%	31%	33%	28%	31%
Total turnover										
< 30	4,527	3,495	4,886	3,536	6,452	3,982	6,646	3,787	6,957	3,967
30-50	2,071	3,117	2,103	2,877	2,568	3,191	2,502	2,928	2,515	3,180
>50	3,233	1,795	2,782	1,473	3,156	1,624	2,431	1,275	2,079	1,038
Total turnover	9,831	8,408	9,771	7,886	12,176	8,797	11,579	7,990	11,551	8,185
Total	18,239		17,657		20,973		19,569		19,736	
Percentage of total headcount	35%	38%	32%	33%	34%	33%	32%	31%	31%	32%
Workforce by gender	25,694	21,583	28,160	22,362	30,878	23,614	35,924	26,353	36,276	25,777
Workforce at Dec 31	47,277		50,522		54,492		62,277		62,053	

As a postal company, we hire a relatively high number of part-time employees who work with us for less than a year. This is reflected in our new hire and turnover figures. There is a particularly high turnover rate among the under 30s, because many students take part-time jobs as deliverers. For those employees affected by job cuts, we offer a comprehensive mobility programme to help them from work-to-work. More information can be found in the *Case study: Responsible redesign* (postnl.nl/redesign).

3.2 Employee engagement

	2015	2014	2013	2012	2011
Employee engagement score (percentage of engaged employees)	64%	59%	57%	56%	56%

To monitor our employee engagement we carry out a company wide online engagement survey. This survey is conducted twice per year by an external party. The survey looks at employees' overall satisfaction levels, including their sense of pride in the company and their connection to the OnePostNL culture.

Employee engagement improved in 2015, driven by factors such as a sense of responsibility, independence, and working together with colleagues and helped by the implementation of our OnePostNL culture programme, which aims to foster an environment that promotes closer collaboration within the company. Our aim is to continuously improve the engagement of our employees.

3.3. Recruitment and career development

	2015	2014	2013	2012	2011
Training hours per FTE	21	18	17	23	21
Investors in People certification (% of headcount working in certified sites)	93%	94%	94%	95%	96%

We recognise that having the right talent is vital for the future of the company, from the operators of our next-generation sorting machines to senior managers. Personal development is an important driver for most of our employees. It stimulates engagement and is key for the future success of PostNL.

In 2015 we continued to develop learning based on the 70/20/10 framework. This framework is based on the insight that 70 percent of learning takes place through day-to-day practice, while only around 10 percent comes from formal training. The other 20 percent is composed of informal coaching and supervision. We offer training programmes through our PostNL Academy, which is available to all PostNL employees. This digital learning portal enables employees to further expand their personal and professional development in a variety of ways, improving their skills and, ultimately, their employability. The PostNL Academy is available 24/7, and employees can select which learning modules to follow themselves.

We facilitated the career development of high potentials through three career development programmes. The programmes aim to develop high potential employees on the company’s leadership competences, while taking them to the next level of (personal) leadership. We frame our development programmes in three (career) phases:

- Our Young Executive Programme
- The Young Managers in Action and the Innovation Challenge
- The Mastering Your Leadership Programme

The Young Executive Programme teaches graduates how to learn effectively, using their own knowledge and expertise, studying the organisation and their local environment, and the company’s strategy. The focus is on improving their performance and personal development, while developing a personal network within the company. The Young Managers in Action programme and the Innovation Challenge focus on professionals with 4- to 10-years’ experience. The aim is to create personal leadership, develop strategic, innovative and entrepreneurial competences and help participants discover their creative mind. The Mastering Your Leadership Programme is targeted at professionals with more than 10-years experience. The aim is to increase their ability in interpreting the company's strategy directly into their own business environment, while developing and stimulating entrepreneurship to generate future business opportunities.

In 2015 the number of training hours per FTE increased, due mainly to the implementation of the new SMX. Additionally, we retained Investors in People (IiP) certification coverage of well above 90% of our headcount. This certification covers a number of areas, including HR policies, and educational and development opportunities.

3.4 Diversity and inclusion

	2015	2014	2013	2012	2011
Percentage of females in management	25%	23%	24%	21%	22%

Diversity amongst our workforce and management, which reflects the diversity within society, is crucial. It creates a healthier, more sustainable working environment, and is vital in realising our ambitions. This is why we hire qualified people who fit within our culture, irrespective of their ethnicity, gender, age or sexual orientation.

We support diversity and inclusion, and support networks that foster this. In 2015, for example, we signed the Diversity Charter, which operates across 14 European countries and has been signed by more than 7,000 companies and organisations. It is an important tool to stimulate diversity. We also support several communities to stimulate diversity, including Pride, the gay, lesbian, bi- and transsexual network. We also participate in events and initiatives to promote and stimulate diversity, such as the Gay Pride Canal Parade. In 2015, we participated for the first time in the Workplace Pride Benchmark, a global online survey based upon organisations’ policies and practices, ending first in our category.

We aim to increase the number of women that work within management. In 2015, we continued our successful Women Inclusion Network (WIN) initiative and mentoring programmes. A background story of what WIN means to its members is given in the *Case study: Inclusion* (postnl.nl/win). In addition, we paid special attention to female talent in our succession and talent management approach. We are also a member of the 'Talent to the Top' charter, a countrywide platform to facilitate and stimulate recruitment and the development of women to senior positions in private and public companies.

Based on these and other initiatives, we have been able to increase the number of women in (senior) management positions over the last few years.

3.5 Health and safety

	2015	2014	2013	2012	2011
Fatal accidents	3	2	0	3	3
Serious accidents	25	16	24	24	32
Lost time accidents	688	538	615	631	671
As frequency rate per 100 FTEs	2.9	2.2	2.2	2.1	2.2
OHSAS 18001 certification (percentage of FTE working in certified sites)	95%	89%	89%	91%	94%
Absenteeism (percentage of total working hours)	5.0%	5.2%	5.5%	5.8%	5.8%
Blameworthy road traffic incidents (per 100,000 kilometres)	4.0	4.3	4.3	4.7	5.1
As percentage of total road traffic incidents	85%	84%	79%	65%	72%

Accidents

We work hard to improve the safety of our employees. As part of their work, our employees drive and walk millions of kilometres each year, which means they regularly face traffic risks. By training our employees to drive and work more safely, we strive to further reduce the number of accidents.

Despite all our efforts and initiatives we deeply regret having to report three fatal accidents across our operations in 2015 (2014: 2). In the first accident an e-bike rider was struck and fatally injured by one of our independent parcel deliverers. The second accident involved one of our door-to-door delivers who died after being hit by a car. In the third accident a subcontractor struck a pedestrian while backing up. These were tragic events and we remain determined to prevent fatalities.

The number of serious accidents and lost time accidents increased. There was a rise in the number of serious accidents involving bikes and scooters, which is due to the ongoing switch from cars and vans to bikes and scooters. The same effect is visible for lost time accidents. In 2016, we will develop plans to reduce serious and lost time accidents.

We encourage all of our business units to obtain the OHSAS 18001 certification, which is a standard for occupational health and safety management systems and is intended to help control risks. The increase in FTEs working in certified sites in 2015 resulted from the successful inclusion of our head office departments.

Absenteeism

We focus on reducing absenteeism as this is an indicator of the overall health of our employees. One way in which we do so is by running preventative programmes, making employees more aware of their health. These programmes include health tests and a range of sporting associations available across the company. Due to our active approach and preventative programmes we saw a further improvement in absenteeism numbers in 2015.

Traffic incidents

Road traffic incidents are considered blameworthy if a PostNL driver is at fault. All other incidents include a variety of types of damage, including damage discovered during inspections, damage caused by third parties to our parked vehicles, and other instances of minor damage. Continuous focus on safety training and communication resulted in a decline in the number of blameworthy road traffic incidents per 100,000 kilometres driven in 2015.

Section 4: Environmental indicators

In this section...

We report on our environmental performance. We strive to continually reduce our environmental impact by lowering our energy consumption. Our buildings, small trucks and vans, large trucks and subcontractors impact our environmental footprint, as do our business travel and company cars.

Based on our materiality analysis, we selected the most material environmental topics: CO_2, NO_x and PM_{10} emissions. CO_2 has a long-term impact on the climate, while NO_x and PM_{10} emissions reduce air quality, impacting people's health.

The CO_2 efficiency index reflects our efforts to reduce our own carbon footprint. We describe which actions were taken to improve our CO_2 efficiency in 2015. At the end of the section we report on our absolute CO_2 footprint, divided into scope 1, scope 2 and scope 3 emissions, in line with the Greenhouse Gas Protocol.

4.1 CO_2 efficiency index

	2015	2014	2013	2012	2011
CO_2 efficiency index	51.4	56.1	57.3	60.8	64.1

As a postal and logistic solutions provider, it is clear we have an impact on the environment, and that our operations emit CO_2. However, stakeholders are increasingly asking for environmentally friendly logistics operations.

In 2008 we introduced the CO_2 efficiency index. Our ambition is to reduce the CO_2 efficiency index to 45 by 2020 (base year 2007 = 100). The index consists of three components: buildings, small trucks and vans, and large trucks. The impact of each is weighted according to their absolute carbon emissions in the base year.

To achieve this ambition, we take into account energy efficiency when introducing new technologies. For example, our next-generation sorting machines within our Mail in the Netherlands segment, and the new sorting and delivery centres in our Parcels segment. Additionally, we replace fossil-based energy with bio-based energy whenever possible.

The improvement in our CO_2 efficiency index in 2015 was helped by migrating towards sustainable electricity use at our Nexive operations in Italy, and the introduction of over 140 green gas vehicles in our Dutch operations, which are CO_2 neutral. To realise our long-term CO_2 efficiency index goal, we will continue to optimise our logistics processes and move to bio-based energy when possible.

4.2 Buildings

	2015	2014	2013	2012	2011
Efficiency (kg CO_2 per m^2)	8.5	13.1	14.7	20.0	22.2
Electricity usage in KwH/m^2 building	103	105	107	118	120
Sustainable electricity usage (as % of total electricity usage)	89%	82%	79%	82%	85%
Gas usage in m^3/m^2 building	6.0	6.2	9.3	10.1	9.7

Within Mail in the Netherlands, over the past three years we have reduced the number of preparation centres we operate from around 280 to 80, in response to the shrinking mail market. At the same time, our Parcels segment has invested in new sorting and delivery centres, opening their eighteenth in 2015, to more efficiently process the increase in parcels volume, driven by the growth in e-commerce. These new centres have an A^+ energy label based on state-of-the-art building techniques, including optimal use of day light and energy-efficient sorting machines. More about these new centers can be found in the *Case study: New delivery and sorting centres for Parcels* (postnl.nl/sorting-delivery-centre). In total, we operate over 950,000 square metres of buildings.

We strive to reduce the energy we use in our buildings. In 2015 we used 98 million KwH of electricity (2014: 104) and 5.0 million cubic metres of gas (2014: 5.4), of which 1.3 million came from renewable biogas. This helped us improve our CO_2 efficiency, expressed in kg CO_2 per square metre, significantly to 8.5 (2014: 13.1).

In addition to our energy reduction initiatives, we also use sustainable energy whenever possible. We use sustainable, carbon-neutral electricity in all buildings in the Netherlands where we manage our own energy contracts. In 2015, our Italian business, Nexive, also moved to carbon-neutral electricity. More about this transition can be found in the *Case study: 100% sustainable electricity in Italy* (postnl.nl/nexive-energy).

By the end of 2015, 89% of all the electricity we used was sustainable (2014: 82%). When third parties manage the energy contracts, we encourage the use of sustainable electricity. For those buildings where no sustainable electricity is used, carbon emissions are compensated by gold standard credits.

To aid long-term comparability of emissions, we use a correction factor called 'degree days' to compensate for relatively mild or severe winter conditions. This correction factor was used in the CO_2 efficiency numbers presented above (kg CO_2/m^2).

Going forward, we expect our next-generation sorting machines and the introduction of LED lighting to have a positive impact on our electricity usage. From 2016, we will install solar panels on fifteen of our Parcels' sorting and delivery centres. The estimated energy production of these panels is 4.8 million KwH, which is the equivalent of the electricity usage of around 1,500 households. We expect these panels to generate over 40% of the centres' total electricity needs.

4.3 Small trucks and vans

	2015	2014	2013	2012	2011
Efficiency (gr CO_2 per km)	231	239	243	238	240
Fuel usage liters diesel/100 km	9.2	8.8	9.1	8.9	9.1
Vehicles complying with Euro 6	2%	0%	0%	0%	0%
Vehicles complying with Euro 5	97%	95%	77%	55%	38%
Vehicles not complying with Euro 6 or Euro 5	1%	5%	23%	45%	62%
NO_x emissions in kg	15,032	16,669	18,907	22,629	31,592
NO_x emissions (gr/km)	0.28	0.30	0.32	0.35	0.37
PM_{10} emissions in kg	303	732	1,421	2,331	3,855
PM_{10} emissions (gr/km)	0.01	0.01	0.02	0.04	0.05

As sustainable delivery is one of our material topics, we concentrate on reducing the environmental footprint of our logistics activities. Our customers and the society in which we operate increasingly ask for sustainable delivery alternatives. For our fleet of vehicles, the focus is on optimising our network to reduce the number of kilometres driven. In 2015 we reduced by 5% the number of kilometers our small trucks and vans drove.

Over the course of the year the number of small trucks in use decreased to 1,760 (2014: 1,923). The CO_2 efficiency (grams per kilometres) improved to 231 (2014: 239) which was partially caused by the use of over 140 green gas trucks in our fleet. Green gas is bio-based gas made suitable for fuel usage. It has virtually no carbon emissions compared to fossil-based fuels, and has significantly lower levels of nitrogen oxides (NO_x) and particulate matters (PM_{10}) emissions, which helps improve air quality and health. As green gas is not yet available at all fuel stations, we use compressed natural gas (CNG) when necessary and offset our carbon emissions with gold standard credits.

We plan to increase the number of green gas vehicles we operate in the coming years. This decision is based on financial, environmental and practical (availability of green gas at the given location) considerations. When vehicles are due for replacement, we investigate if green gas vehicles are suitable. If that is not feasible, we then introduce Euro 5 and Euro 6 vehicles, also resulting in lower NO_x and PM_{10} emissions.

We are looking into the feasibility of replacing some of our small trucks with (electric-)scooters and bikes. In 2015 we started a pilot with two types of electric scooters. The results of this pilot will be available and evaluated during 2016.

4.4 Large trucks

	2015	2014	2013	2012	2011
Efficiency (gr CO_2 per km)	714	711	696	676	709
Fuel usage liters diesel/100 km	26.7	26.7	26.1	25.4	26.7
Vehicles complying with Euro 6	57%	53%	29%	0%	0%
Vehicles complying with Euro 5	43%	47%	71%	87%	85%
Vehicles not complying with Euro 6 or Euro 5	0%	0%	0%	13%	15%
NO_x emissions in kg	28,317	35,783	48,236	54,428	66,140
NO_x emissions (gr/km)	1.07	1.28	1.84	2.30	2.37
PM_{10} emissions in kg	362	418	574	693	871
PM_{10} emissions (gr/km)	0.01	0.01	0.02	0.03	0.03

Large trucks are a crucial part of our logistics network, forming the link between our collecting, sorting and preparation locations. Our activities to optimise our networks with less locations make transportation between depots more efficient.

In 2015 the number of large trucks we operate decreased to 191 (2014: 203). We reduced the number of kilometres driven by 5%. As we have yet to find a suitable biobased fuel alternative, all our current large trucks run on fossil fuels. The CO_2 efficiency of large trucks was mainly affected by changes in the fleet composition. Due to volume increases within our Parcels business, we introduced larger, heavier trucks.

When vehicles are due for replacement, we introduce vehicles complying to the highest Euro norm available. This improves our NO_x and PM_{10} emission numbers, as Euro 6 trucks have lower emission levels than Euro 5 trucks.

We will continue to investigate the possibilities of alternative fuels and keep replacing vehicles that comply to the highest Euro norm to further improve the environmental footprint of our large trucks.

4.5 Absolute CO_2 footprint

In addition to reporting on our CO_2 efficiency, which is described in the previous sections, we also report our absolute CO_2 emissions. In accordance with the Greenhouse Gas (GHG) Protocol, the absolute carbon footprint in kilotonnes is reported in three categories:

- Scope 1 covers all direct emissions generated by sources that are owned or leased by the company, such as operational vehicles and heating
- Scope 2 includes all emissions from the generation of purchased electricity consumed by the company
- Scope 3 refers to indirect emissions that are a consequence of the company's activities but arise from sources not owned or controlled by the company.

The carbon footprint as recognised by the GHG Protocol includes company cars, business travel by air, and subcontractors. PostNL has less influence on these categories but still has a shared responsibility for their carbon output which is reported as scope 3 emissions.

Scope 1

Our gross scope 1 emissions decreased slightly. This was partly due to a decrease in the number of large trucks we operated, and the number of kilometers driven. We reduced the number of facilities we operate and opened new energy efficient locations, which, combined with mild winter conditions, decreased our absolute gas usage. The gross emissions from our small trucks remained stable.

In 2015 we purchased 1.3 million cubic metres of biogas from renewable sources to heat our buildings. This amounted to a reduction of 2.3 kilotonnes in CO_2 emissions. We used gold standard credits to compensate the CO_2 emissions of our green gas vehicles. Combined, this amounted to 1.4 kilotonnes of offset CO_2 emissions. In total, this resulted in a decrease of our net scope 1 emissions. Over the past five years our absolute net scope 1 emissions have decreased by 25%.

Scope 2

Our gross scope 2 emissions decreased in 2015, due to our lower electricity consumption. The majority of the electricity we use comes from sustainable sources and is considered carbon neutral. In 2015, the use of this sustainable electricity reduced our CO_2 emissions by 34 kilotonnes. Additionally, we purchase gold standard offset credits for buildings which we rent with an all-inclusive square metre tariff. This amounted to 6 kilotonnes of offset carbon emissions. In total, our net scope 2 emissions decreased in 2015. Over the last five years, our absolute net scope 2 emissions have decreased by 100%.

Scope 3

Our gross and net scope 3 emissions increased significantly in 2015, due to the expansion of our subcontracted international activities. The increase in our subcontractor CO_2 emissions to 239 kilotonnes (2014: 147 kilotonnes) mainly relates to the rise in exports of milk powder to China. Intercontinental air freight resulted in higher CO_2 emissions than those from our domestic and European markets, where goods are mostly transported by truck.

During the year the number of company cars declined to approximately 1,584 (2014: 1,716). A significant percentage are used by team leaders who visit mail delivery depots each day. We have adjusted our company car lease policy to stimulate the use of more fuel-efficient cars. Since the majority of our activities take place in the Netherlands, air emissions by business travel are not deemed material. The emissions that did arise were stable in comparison to pervious years. During the year we purchased gold standard credits to compensate 9 kilotonnes of CO_2 emissions from company cars and business travel.

4.6 Other environmental indicators

	2015	2014	2013	2012	2011
ISO 14001 certification (% of total FTE working in certified sites)	96%	90%	90%	91%	95%

We have adopted the international standard ISO 14001, which helps us control environmental issues, minimise harmful effects on the environment and helps improve our ongoing environmental performance. We encourage all business units to acquire the ISO 14001 certification. In 2015, the percentage of FTEs working at ISO 14001 certified entities increased to 96%, resulting from the successful inclusion of our head office departments in the audit scope.

Independent assurance report

To: the Board of Management of PostNL N.V.

The Board of Management of PostNL N.V. ('PostNL'), The Hague, engaged us to provide reasonable assurance on certain information ('corporate responsibility information') in the Annual Report 2015. We believe our engagement fulfils a rational objective as disclosed by PostNL in the section "CR Performance Statements – Section 1: Basis of preparation".

Our opinion

Based on the procedures we have performed and the evidence we have obtained, in our opinion the corporate responsibility information for the year ended 31 December 2015 provides, in all material respects, a reliable and appropriate presentation of the policy of PostNL for sustainable development, the activities and the performance of the organisation relating to sustainable development during the year, in accordance with PostNL's reporting criteria.

This opinion is to be read in the context of what we described in the remainder of this report.

What we are assuring

We have assured the corporate responsibility information included in the following sections of the Annual Report for the year 2015 (hereafter: 'the report') as presented throughout the report:

- We are PostNL;
- Message from the CEO;
- Our value creation process;
- Developing our strategy;
- Our strategy;
- Implementing our strategy in 2015;
- CR Performance Statements.

This report comprises a representation of the policy, the activities, and performance of PostNL relating to sustainable development during the reporting year 2015. The disclosures made by management with respect of the scope of the report are included in the section "CR Performance Statements – Section 1: Basis of preparation".

The basis for our opinion

Professional and ethical standards applied

We conducted our assurance engagement in accordance with Dutch law, including Standard 3810N 'Assurance engagements relating to sustainability reports' (hereafter 'Standard 3810N'). Our responsibilities under this standard are further described in the "Our responsibilities" section of this report.

We are independent of PostNL in accordance with the "Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten" (ViO) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the "Verordening gedrags- en beroepsregels accountants" (VGBA) and other relevant regulations.

Limitations in our scope

The corporate responsibility information contains prospective information, such as ambitions, strategy, targets, expectations and projections. Inherent to this information is that actual future results may be different from the prospective information and therefore it may be uncertain. We do not provide any assurance on the assumptions and feasibility of this prospective information.

We draw your attention to the following sentence at the end of chapter "Developing our strategy": "*The percentages related to the (development of) market shares are PostNL estimates and are not validated by PwC".*

The auditor is not expected to, and cannot, reduce the assurance risk to zero and cannot therefore obtain absolute assurance that the corporate responsibility information is free from material misstatement due to fraud or error. This is because there are inherent limitations of an assurance engagement, which result in most of the assurance evidence on which the auditor bases the auditor's opinion being persuasive rather than conclusive.

Reporting criteria

PostNL developed its corporate responsibility reporting criteria on the basis of the G4 Guidelines of the Global Reporting Initiative (GRI) (comprehensive option), which are disclosed together with detailed information on the reporting scope, and reporting process and methods in the section "CR Performance Statements – Section 1: Basis of preparation". We consider the sustainability reporting criteria to be relevant and appropriate for our examination.

Understanding reporting and measurement methodologies

The information in the scope of this engagement needs to be read and understood together with the reporting criteria, for which PostNL is solely responsible for selecting and applying. The absence of a significant body of established practice on which to draw, to evaluate and measure non-financial information allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time.

Our assurance approach

Materiality

We set thresholds for materiality at the planning stage and reassessed them during the engagement. These helped us to determine the nature, timing and extent of our procedures and to evaluate the effect of identified misstatements on the information presented, both individually and in the aggregate. Based on our professional judgement, we determined the materiality level at 5% for each element of the corporate responsibility information except for fatalities whereby each fatality is considered material. When determining our materiality thresholds, we considered the relevance of information for both the stakeholders and the company based on the materiality assessment of PostNL.

Areas of particular focus

The areas of particular focus that, in our professional judgement, were of most significance in the assurance engagement of the corporate responsibility information, including the allocation of our resources and effort, are identified below together with an explanation of how we tailored our procedures to address these specific matters. This is not a complete list of all risks and/or matters identified by our work.

We have communicated the areas of particular focus with the Supervisory Board. These areas were addressed in the context of our assurance engagement of the corporate responsibility information as a whole, and in forming our opinion thereon. We do not provide a separate opinion on these areas of particular focus.

Area of particular focus	How we addressed the area
Consistency in CR reporting is maturing PostNL has set reporting definitions for CR performance indicators at group level. Consistency in reporting to ensure comparability between entities requires consistent application of definitions. This year, PostNL noted that for the indicators Absenteeism and Blameworthy road traffic incidents, inconsistencies existed in the detailed application of the reporting definitions between main entities. PostNL adjusted its CR performance data, including comparative figures to improve its consistency in reporting.	We put more focus on the reporting principle comparability. We performed additional walkthrough procedures for the related indicators to obtain a thorough understanding that PostNL has eliminated the inconsistent application of definitions. We performed additional assurance procedures to assess that the revised data for previous years were adequately determined and appropriately disclosed in the annual report. We assessed the reasonability of assumptions made by management, performed analytical procedures, recalculations and reconciliation of information with detailed records of PostNL.
Data revisions due to management buy-out of Whistl PostNL finalised the management buy-out of Whistl in October 2015. Whistl contributed significantly to the indicator CO_2 emissions from transport activities, accidents, training hours and to the percentage of females in management positions. In accordance with PostNL's reporting policy, Whistl is excluded from the reporting scope for the entire year 2015 and comparative figures are revised accordingly.	We put more focus on the reporting principle comparability. We validated the data revision approach and performed additional assurance procedures to assess that the revision of the data for each CR performance indicator for each year of comparative data (2011 – 2014) has been recalculated correctly and disclosed properly in the annual report. In addition we analysed the effect of the revision on the trend in the CR Performance Statements per indicator to ensure that fluctuations could be explained.

Work done

We are required to plan and perform our work in order to consider the risk of material misstatement of the corporate responsibility information.

Our main procedures included the following:

- performing an external environment analysis and obtaining an understanding of the relevant social issues, relevant laws and regulations and the characteristics of the organisation;
- evaluating the acceptability of the reporting policies and consistent application of this, such as assessment of the outcomes of the stakeholder dialogue and the process for determining the material topics, the reasonableness of estimates made by management, as well as evaluating the overall presentation of the corporate responsibility information;
- interviewing management and relevant staff responsible for the sustainability strategy and policies;
- interviews with relevant staff responsible for providing the information in the report, carrying out internal control procedures on the data and the consolidation of the data in the report;
- evaluating the design and implementation and testing the operating effectiveness of the systems and processes for data gathering and processing of information as presented in the report;
- evaluating the work performed by Internal Audit on selected CR information;
- investigating internal and external documentation, in addition to interviews, to determine whether the information in the report is adequately substantiated;
- analytical review of the data and trend explanations submitted for consolidation at group level;
- assessing the consistency of the corporate responsibility information and the information in the Annual Report not in scope for this assurance report;
- assessing whether the corporate responsibility information has been prepared 'in accordance' with the G4 sustainability reporting guidelines of the Global Reporting Initiative (GRI) (comprehensive option).

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities

The Board of Management's responsibilities

The Board of Management of PostNL is responsible for the preparation of the report in accordance with PostNL's reporting criteria, including the identification of the stakeholders and the determination of material topics. Furthermore, the Board of Management is responsible for such internal control as the Board of Management determines is necessary to enable the preparation of the report that is free from material misstatement, whether due to fraud or error.

Our responsibilities

Our responsibility is to express an opinion on the report based on our assurance engagement in accordance with Standard 3810N. This requires that we comply with ethical requirements and that we plan and perform our work to obtain reasonable assurance about whether the report is free from material misstatement.

The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant for the preparation of the report in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of PostNL's internal control. An assurance engagement aimed on providing reasonable assurance also includes evaluating the appropriateness of the reporting framework used and the reasonableness of estimates made by management as well as evaluating the overall presentation of the report.

Amsterdam, 29 February 2016

PricewaterhouseCoopers Accountants N.V.

Originally signed by:

H.C. Wüst RA

Appendices

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Appendix 1: Regulatory environment

Mail is a strongly regulated industry, subject to global, European and national regulations. As a consequence, PostNL has to manage complex regulatory requirements in many jurisdictions.

International postal regulation

UNIVERSAL POSTAL UNION

The Universal Postal Union (UPU) is responsible for the worldwide regulation of cross-border mail and parcel services. The applicable rules are laid down in the UPU Convention and its regulations. The UPU has established a terminal dues system for mutual payments for delivery of cross-border mail and parcels. Since 1 January 2006, the mail terminal dues system distinguishes between 'target' countries (mostly industrialised countries), which pay each other country-specific rates linked to domestic postal tariffs, and 'transition' countries (mostly developing countries), which pay and receive a fixed kilogramme rate. Transition countries are expected to move gradually towards the target system. The terminal dues system decided upon for the 2014-2017 period leads to modest and acceptable increases in terminal dues. From 2012, the postal community has worked on developing a terminal dues system that will be applied during the 2018-2021 cycle. The new system takes into account the rapid development of worldwide e-commerce. A decision on adoption of the new system will be taken by the 2016 Istanbul UPU Congress.

REIMS

EU postal operators have developed a terminal dues system called REIMS, which is more sophisticated than the UPU system. REIMS calculations are based on a higher percentage of domestic tariffs and, in return, higher service quality. PostNL has not entered into the REIMS V agreement because we believe that although it is more market-oriented than previous agreements, it still does not reflect market reality. It constrains PostNL's ability to compete successfully in our highly competitive home market. Instead, we have closed more cost-effective bilateral agreements. In connection with the development of improved product specifications for e-commerce items (Interconnect), EU postal operators have negotiated the terms for a matching multilateral remuneration agreement, which includes the remuneration for mail volumes that are covered by the REIMS agreement. However, PostNL has decided to pursue its cost-effective bilateral agreements approach.

EU postal regulation

The EU postal operators reported positively on the committed improvements on quality and interoperability for cross-border parcel deliveries. However, the European Commission believes, as expressed in the Digital Single Market Strategy, that complimentary measures to improve price transparency for European deliveries are still necessary as well as the need to enhance regulatory oversight of the cross-border parcel markets. The European Commission will launch such measures in the first half of 2016, followed by a two-year evaluation period. If necessary, additional regulatory measures can be proposed in 2018.

The European Commission concluded that adaption of the postal regulatory framework is not yet required. This leaves the national governments and the postal operators with the challenge to guarantee a universal postal service that fulfills the obligations of the 2008 Postal Services Directive.

EU Data Protection regulation

Data processing is of crucial importance for direct mail volumes and e-commerce activities. The legislative process to adapt the Data Protection Regulation is nearing completion. The legitimate interest of businesses to process data has been preserved. The industry and the Data Protection Authorities will have to develop a common interpretation on core issues as consumer consent and possibilities to profile.

Postal regulation in the Netherlands

Since 1 April 2009, the key legislation regulating PostNL's activities is the Dutch Postal Act 2009. This Act requires a designated postal provider to provide the Universal Postal Service in the Netherlands. By separate decree, PostNL has been designated the provider of the Universal Postal Service. The Dutch Postal Act 2009 sets the requirements for the Universal Postal Service. The Authority for Consumers & Markets (ACM) supervises the postal market and PostNL's performance of the Universal Postal Service. The responsibility for postal policy falls under the authority of the Minister of Economic Affairs.

THE UNIVERSAL POSTAL SERVICE

Scope

The domestic Universal Postal Service consists of the conveyance against payment of standard single rates of:
- All items of correspondence with a maximum individual weight of two kilogrammes
- Postal parcels with a maximum individual weight of 10 kilogrammes
- Registered, registered insured and registered value declared items.

The Dutch Postal Act 2009 does not require PostNL to offer domestic services for the delivery of bulk parcels, bulk mail or unaddressed mail items. International outbound bulk mail and parcels are also part of the Universal Postal Service. For international inbound and outbound mail, the rules of the UPU apply to PostNL.

Regulatory conditions for the provision of the Universal Postal Service

The Dutch Postal Act 2009 requires PostNL to provide nationwide services and to perform a daily delivery round from Tuesday till

Saturday – except on public holidays – delivering on average no less than 95% of all standard single rated domestic letters posted the day before. Urgent medical items and mourning cards are also delivered on Mondays. PostNL is required to maintain a network of service points for access by the general public. The Postal Regulation 2009 covers detailed tariff regulation, cost and revenue accounting, financial administration and reporting.

Accounting and other financial obligations

PostNL's reporting obligations include a system for allocating costs and revenues to the Universal Postal Service. A financial report on the annual performance of the Universal Postal Service must be submitted to the ACM, accompanied by an independent auditor's opinion, to certify that PostNL's financial accounting system complies with these obligations and is applied properly. In 2015, the ACM judged that PostNL's cost allocation system complied with the legal requirements, after evaluating our initial proposal. This decision followed after a number of adjustments and clarifications by PostNL.

Tariffs and tariff regulation

The price cap, meant to limit the return on sales (RoS) to 10%, applies to both USO letters and parcels. For these purposes, the ACM first defined basic tariff headroom, based on the costs of the USO in 2014. Second, the ACM has to define additional tariff headroom each year, taking into account the development of the general Consumer Price Index, the development of USO volumes and, occasionally, an earlier exceeding of the RoS limit. Following each ACM adjustment, PostNL is allowed to set tariffs. On 14 September 2015, the ACM defined the basic tariff headroom and the additional tariff headroom for 2016. Within the total headroom for 2016, PostNL adjusted USO-tariffs as of 1 January 2016.

Modernisation of the Universal Postal Service

On 1 January 2016, the amendments to the Dutch Postal Act 2009 and the Postal Decree 2009 came into force. This means the requirements for mandatory postboxes and service outlets have been relaxed, stating that continuing volume declines demand substantial changes to these obligations in order to keep the Universal Postal Services accessible and affordable to all. As a consequence, the number of postboxes (18,000) and service outlets (2,000) can be reduced considerably.

Net costs

As a consequence of the adjustments in USO requirements, concerning service outlets, post boxes, and the (earlier introduced) abolition of the Monday delivery and the introduction of volume-related tariff regulations, the net costs regulation was lifted as of 1 January 2016. PostNL had not recently filed any net cost application.

Significant market power

As of 1 January 2014, the ACM is authorised to impose specific obligations on postal operators with significant market power. The ACM has investigated unsorted time-critical bulk mail specifically, and published a draft decision in mid-December 2014 for public consultation. On 6 July 2015, the ACM published a second consultation on the intended obligations to which PostNL has to be subjected. PostNL submitted its view on both documents. The ACM organized a meeting on 16 February 2016, where interested postal operators gave their opinion on the way PostNL should implement the intended obligations. In a second meeting on 11 March 2016, the ACM will explain their view on the intended obligations. A final decision has not yet been taken. We submitted our views on strongly-related measures that the ACM took in order to set tariffs and conditions that we have to offer to other postal operators who want to use our network.

Postal regulation in other EU Member States

In contrast to the Netherlands, certain other EU Member States have defined the scope of the Universal Postal Service more extensively. As Universal Postal Service can in principle be exempt from VAT, the VAT advantages connected to the Universal Postal Service are considerably larger in most of those countries than they are in the Netherlands. As well as this VAT distortion, PostNL faces hindrance of competition in Germany and Italy due to a variety of different regulations.

GERMANY

General developments

As of 1 January 2015 there is a binding general minimum hourly wage of €8.50 in force, an amount already being paid by Postcon. In 2016, the Minimum wage Commission will make a suggestion to the Federal Government which minimum wage should be decreed as of 1 January 2017. The Federal Government will decide on the suggestion in 2016.

In 2015, the German Federal Government decreed a by-law that allows Deutsche Post to set a margin comparable to those of other European postal service providers. As a consequence, Deutsche Post has applied for higher tariffs for single mail items for 2016 until 2018. These increased tariffs were accepted by the Federal Networking Agency "Bundesnetzagentur" in December 2015 and entered into force on 1 January 2016.

General elections for the Federal German Parliament will take place in autumn 2017.

Investigation on predatory pricing by Deutsche Post

The German competition authority "Bundeskartellkamt" has formally confirmed a breach of competition law by Deutsche Post. Deutsche Post was found to have offered conditions to national key account customers, especially in the telecoms industry, that amount to a margin squeeze. In other cases, the conditions were offered only if more than 90% of the mail volume was delivered by Deutsche Post, which barred competitors' access. The appeal of Deutsche Post is pending before the Higher Regional Court of Düsseldorf.

ITALY

VAT

A problem in the Italian postal market is the large scope of the Universal Postal Service, which results in the Universal Postal Service-related VAT exemption having distorting effects, plus the government subsidy as compensation for the Universal Postal Service obligation. Considering its nature, domestic bulk letters (representing about 50% of the overall volume of the Universal Postal Service) should be excluded from the Universal Postal Service perimeter and be subject to VAT.

In January 2015, the Anticorruption Authority Anac has issued the Guidelines on tenders in public administration, in order to foster private competition. Furthermore, the government has issued the first Competition Law, which also includes the abolition of the reserved area for the incumbent, regarding the delivery of Judicial Acts and Fines, and that was approved by Parliament in January 2016.

Competition law

PostNL is subject to competition rules in the jurisdictions in the countries in which it operates. The most relevant rules stem from European and Dutch competition law.

European competition law

The European Court of Justice (ECJ) has explicitly confirmed that the rules of EU competition law also apply to the national Universal Postal Service of the Member States. PostNL is subject to the competition rules contained in articles 101 and 102 of the EU Treaty and to preventive control on mergers and acquisitions as regulated in the EC Merger Control Regulation. PostNL is also subject to the competition rules laid down in the Agreement of the European Economic Area (EEA), which corresponds to the rules of EU competition law. The EEA rules for competition are enforced by the European Commission and the EFTA Surveillance Authority.

Dutch competition law

The services PostNL provides in the Netherlands, including the Universal Postal Service, fall within the scope of the Dutch Competition Act and are monitored by the ACM. This Act stipulates a similar structure and set of rules as the rules of EU competition law on the prohibition of cartels, the prohibition of abuse of a dominant position and the preventive control on mergers and acquisitions.

Other regulation in the Netherlands

Labour regulation

As of 1 July 2015, an Act came into force to improve the legal position of people working in different sectors as an independent contractor (Wet aanpak schijnconstructies). The subcontractors of PostNL and its competitors fall within the scope of this Act.

Value added tax on postal services

PostNL is not allowed to charge VAT on postal items that form part of the Universal Postal Service. Consequently, we cannot deduct VAT amounts paid to purchase services and goods related to the Universal Postal Service. For all other postal services, PostNL is required to charge VAT, similar to our competitors.

Appendix 2: Other CR Performance Statements

	2015	2014	2013	2012	2011
People indicators					
Percentage of females in total headcount	48%	44%	44%	44%	41%
Employees with a disability	1,525	1,339	1,440	1,604	1,361
Disabled employees as percentage of total headcount	3%	2%	3%	3%	2%
Internal promotion (percentage of total management vacancies)	70%	79%	94%	67%	73%
Environmental indicators					
Waste (tonnes per FTE)	0.3	0.4	0.4	0.4	0.4
Recycling of waste in percentage of total waste	72%	67%	60%	56%	58%
Noise complaints	2	6	1	2	7
Environmental incidents on site	3	8	10	5	5
Environmental incidents off site	1	3	0	4	0

Appendix 3: Global Compact and GRI G4 index

Global Compact

As a signatory to the UN Global Compact, PostNL reports on the 10 principles it contains. In the Global Reporting Initiative G4 index table, the GRI indicators on which PostNL reports are linked to the numbers corresponding to the 10 principles mentioned below.

Human rights	
1	Businesses should support and respect the protection of internationally proclaimed human rights.
2	Businesses should make sure that they are not complicit in human rights abuses.

Labour	
3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
4	Businesses should uphold the elimination of all forms of forced and compulsory labour.
5	Businesses should uphold the effective abolition of child labour.
6	Businesses should uphold the elimination of discrimination in respect of employment and occupation.

Environment	
7	Businesses should support a precautionary approach to environmental challenges.
8	Businesses should undertake initiatives to promote greater environmental responsibility.
9	Businesses should encourage the development and diffusion of environmentally friendly technologies.

Anti corruption	
10	Businesses should work against corruption in all its forms.

GRI G4 index

This GRI Index table is based on the G4 guidelines of the GRI. This index includes the core indicators of the G4 and complementary sector supplement indicators. The table below includes PostNL's management approach and boundary setting per theme. Additionally, a reference is made to the 10 principles of the Global Compact, which are mentioned in a table in the next section. PostNL believes that the comprehensive level is applicable to this report. This has been validated by the external assurance provider.

GRI-table

Indicatornr.	Indicator	Details/reference	Global Compact Principles
General standard disclosures			
Strategy and analysis			
G4-1	Provide a statement from the most senior decision-maker of the organization (such as CEO, chair or equivalent senior position) about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability.	Message from the CEO	6, 7
G4-2	Provide a description of key impacts, risks and opportunities.	Chapters Our strategy, Risk management	
Organizational profile			
G4-3	Report the name of the organization.	PostNL N.V.	
G4-4	Report the primary brands, products, and services.	Chapter We are PostNL, Developing our strategy, Implementing our strategy in 2015	
G4-5	Report the location of the organization's headquarters.	Prinses Beatrixlaan 23; 2595 AK The Hague	
G4-6	Report the number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report.	Chapters We are PostNL, Our strategy, Implementing our strategy in 2015	
G4-7	Report the nature of ownership and legal form.	N.V.	
G4-8	Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries).	Chapters We are PostNL, Developing our strategy, Implementing our strategy in 2015	
G4-9	Report the scale of the organization.	We are PostNL	
G4-10	a. Report the total number of employees by employment contract and gender.	We report total numbers of FTEs and Headcount by gender and age category in the chapter CR Performance Statements. We do not report on type of contract as the number of temporary contracts is limited.	
	b. Report the total number of permanent employees by employment type and gender.	We report the total numbers of FTEs and Headcount by gender and age category in the chapter CR Performance Statements. We do not report on a split of type of contracts (full time vs. Parttime).	
	c. Report the total workforce by employees and supervised workers and by gender.	Not relevant for PostNL.	
	d. Report the total workforce by region and gender.	We report the total numbers of FTEs and Headcount by gender and age category in the chapter CR Performance Statement. We do not report per regio as the main part (85%) of our employees work in the Netherlands.	
	e. Report whether a substantial portion of the organization's work is performed by workers who are legally recognized as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors.	Our operations need a workforce that consists of a balanced mix of employees, and independent deliverers with the required permits and qualifications and contract companies. We do not report on the total number of independent deliverers because of the complexity of data collection.	
	f. Report any significant variations in employment numbers (such as seasonal variations in employment in the tourism or agricultural industries.	Not relevant for PostNL.	
G4-11	Report the percentage of total employees covered by collective bargaining agreements.	The majority of PostNL's employees are subject to the collective labour agreement	3
G4-12	Describe the organization's supply chain.	Chapters We are PostNL, Our value creation proces, CR Performance Statements Section 1: Basis of preparation. PostNL's main supplies are people. Our supply chain is mainly locally organised.	
G4-13	Report any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain.	Chapters Message from theh CEO, Developing our strategy, Our strategy	
G4-14	Report whether and how the precautionary approach or principle is addressed by the organization.	Chapter Risk management We have not formally adopted the precautionary principle but we systematically assess and manage environmental, safety, supply chain, operational and other risks as described throughout this report. We hold risk workshops throughout the year and have an internal control framework in place to mitigate risks for financial as well as for CR reporting.	7
G4-15	List externally developed economic, environmental and social charters, principles or other initiatives to which the organization subscribes or which it endorses.	Chapter CR Performance Statements. We subscribe a number of organisations and initiatives including e.g.: Global Compact, OESO, GHG proctocol, ISO9001, ISO14001, OHSAS18000, Talent to the Top, The Diversity charter, NEVI, FSC, Fira, Fair Wear, Green Deals, Green Freight Europe. In addition we participate in several branche organisations: IPC, PostEurope, UPU.	1, 2, 3, 4, 5, 6
G4-16	List memberships of associations (such as industry associations) and national or international advocacy organizations.	We participate in several branche organisations: IPC, PostEurope, UPU. In addition we support initiatives like Talent to the Top.	1, 2, 3, 4, 5, 6

Indicatornr.	Indicator	Details/reference	Global Compact Principles
Identified material aspects and boundaries			
G4-17	a. List all entities included in the organization's consolidated financial statements or equivalent documents.	Chapter Financial performance. A complete list of investments in subsidiaries, associated companies and jointly-controlled entities will be attached to the company's annual report made available to the Chamber of Commerce.	
	b. Report whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report.	Chapter Financial Statements. A complete list of investments in subsidiaries, associated companies and jointly-controlled entities will be attached to the company's annual report made available to the Chamber of Commerce.	
G4-18	a. Explain the process for defining the report content and the Aspect Boundaries.	Chapter CR Performance Statements, section 1 Basis of preparation.	
	b. Explain how the organization has implemented the Reporting Principles for Defining Report Content.	Chapter CR performance statements, section 1 Basis of preparation.	
G4-19	List all material Aspects identified in the process for defining report content.	Chapter CR performance statements, section 1 Basis of preparation.	
G4-20	For each material Aspect, report the Aspect Boundary within the organization	Chapter CR performance statements, section 1 Basis of preparation.	
G4-21	For each material Aspect, report the Aspect Boundary outside of the organization	Chapter CR performance statements, section 1 Basis of preparation.	
G4-22	Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements.	Chapter CR performance statements, section 1 Basis of preparation.	
G4-23	Report significant changes from previous reporting periods in the Scope and Aspect Boundaries.	Chapter CR performance statements, section 1 Basis of preparation.	
Stakeholder Engagement			
G4-24	Provide a list of stakeholder groups engaged by the organization.	Chapters Our value creation process and CR Performance Statements	
G4-25	Report the basis for identification and selection of stakeholder with whom to engage.	Chapter CR Performance Statements Section 1 Basis for preparation	
G4-26	Report the organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process.	Chapter CR Performance Statements Section 1 Basis for preparation	
G4-27	Report key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns.	Chapter CR Performance Statements Section 1 Basis for preparation	
Report Profile			
G4-28	Reporting period (such as fiscal or calender year) for information provided.	This report is over the full year 2015 (from January 1th to December 31th). Publication date 29 th February 2015.	
G4-29	Date of most recent previous report (if any).	24 February 2014	
G4-30	Reporting cycle (such as annual, biennial).	Annual	
G4-31	Provide the contact point for questions regarding the report or its contents.	Please send us your comments by e-mail to corporatecommunications@postnl.nl or by sending a letter to: PostNL Annual report team P.O. Box 30250 2500 GG The Hague The Netherlands	
G4-32	a. Report the 'in accordance' option the organization has chosen	Chapter CR Performance Statements Section 1 Basis for preparation	
	b. Report the GRI Content Index for the chosen option.	Comprehensive. Appendix 3	
	c. Report the reference to the External Assurance Report, if the report has been externally assured	Assurance report in chapter CR Performance Statements	
G4-33	Assurance	Assurance report in chapter CR Statements	
	a. Report the organization's policy and current practice with regard to seeking external assurance for the report.	Assurance report in chapter CR Performance Statements	
	b. If not included in the assurance report accompanying the sustainability report, report the scope and basis of any external assurance provided.	The scope of the report is part of the assurance report	
	c. Report the relationship between the organization and the assurance providers.	Assurance report in chapter CR Performance Statements	
	d. Report whether the highest governance body or senior executives are involved in seeking assurance for the organization's sustainability report.	Assurance report in chapter CR Performance Statements, Statement of the Board of Management, Report of the Supervisory Board	

Indicatornr.	Indicator	Details/reference	Global Compact Principles
Governance			
G4-34	Report the governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts.	Chapter Corporate governance	
G4-35	Report the process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees.	Chapter Corporate governance	
G4-36	Report whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body.	Chapter Corporate governance	
G4-37	Report processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics. If consultation is delegated, describe to whom and any feedback processes to the highest governance body.	Chapter Corporate governance	
G4-38	Report the composition of the highest governance body and its committees	Chapter Corporate governance	
G4-39	Report whether the Chair of the highest governance body is also an executive officer (and, if so, his or her function within the organization's management and the reasons for this arrangement).	PostNL does not have a unitary board structure.	
G4-40	Report the nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members	Chapter Corporate governance	
G4-41	Report processes for the highest governance body to ensure conflicts of interest are avoided and managed. Report whether conflicts of interest are disclosed to stakeholders	Chapter Corporate governance. No conflicts of interest occured.	
G4-42	Report the highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts.	Chapter Corporate governance	
G4-43	Report the measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics.	Chapter Report of the Supervisory Board	
G4-44	a. Report the processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics. Report whether such evaluation is independent or not, and its frequency. Report whether such evaluation is a self-assessment.	Chapter Report of the Supervisory Board	
	b. Report actions taken in response to evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics, including, as a minimum, changes in membership and organizational practice.	Chapter Report of the Supervisory Board	
G4-45	a. Report the highest governance body's role in the identification and management of economic, environmental and social impacts, risks and opportunities. Include the highest governance body's role in the implementation of due diligence processes.	Chapter Corporate governance	1, 2
	b. Report whether stakeholder consultation is used to support the highest governance body's identification and management of economic, environmental and social impacts, risks, and opportunities.	Chapter Corporate governance	
G4-46	Report the highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics.	Chapter Corporate governance	
G4-47	Report the frequency of the highest governance body's review of economic, environmental and social impacts, risks and opportunities.	Chapter Report of the Supervisory Board	
G4-48	Report the highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material aspects are covered.	Chapter Corporate governance	
G4-49	Report the process for communicating critical concerns to the highest governance body.	Chapter Corporate governance	
G4-50	Report the nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them.	There were no critical concerns	
G4-51	a. Report the remuneration policies for the highest governance body and senior executives for the types of remuneration	Chapter Remuneration report	
	b. Report how performance criteria in the remuneration policy relate to the highest governance body's and senior executives' economic, environmental and social objectives.	Chapter Remuneration report	
G4-52	Report the process for determining remuneration. Report whether remuneration consultants are involved in determining remuneration and whether they are independent of management. Report any other relationships which the remuneration consultants have with the organization.	Chapter Corporate governance	
G4-53	Report how stakeholders' views are sought and taken into account regarding remuneration, including the results of votes on remuneration policies and proposals, if applicable.	Chapter Remuneration report The views on stakeholders are sought indrectly through the stakeholder dialogues we have held.	
G4-54	Report the ratio of the annual total compensation for the organization's highest-paid individual in each country of significant operations to the median annual total compensation for all employees (excluding the highest-paid individual) in the same country.	The ratio of the annual compensation (base salary and pension costs) for the organisation's highest paid individual and the median annual compensation of all employees is 18. The median annual compensation is based on employees from Mail in the Netherlands (covering over 60% of all employees) with a contract of at least 60% of full time base. The compensation of the highest paid individual can be found in chapter Remuneration report.	

Indicatornr.	Indicator	Details/reference	Global Compact Principles
Ethics and integrity			
G4-55	Report the ratio of percentage increase in annual total compensation for the organization's highest-paid individual in each country of significant operations to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual) in the same country.	Comparing 2015 with 2014, the compensation (base salary and pension costs) for the highest paid individual decreased by 23%, while in the same period the same number for the median increased by 3%. The decrease of the compensation of the highest paid individual is mainly caused by the statutory cap on the pensionable income, applicable as of 2015, resulting in a decrease of the pension costs. As stated in the Remuneration report, the pension allowances for the salary above the statutory maximum salary are included in the "Other periodic compensation". Like for like, the decrease in compensation of the highest paid individual would be 8%.	
G4-56	Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics.	Chapter Risk management	1, 2, 6, 10
G4-57	Report the internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as helplines or advice lines.	Chapter Corporate governance	1, 2, 6
G4-58	Report the internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines.	Chapter Risk management	1, 2, 6

Indicatornr.	Indicator	Details / reference / omissions	Global Compact principles
Specific standard disclosures			
Economic			
Economic performance			
DMA	Investors are identified as one of our main stakeholder groups, they provide us with the capital we need to realise our business ambitions. Their most material topics are economic performance, dividend, and sustainable innovation. We strive to create value for our stakeholders (our customers, our investors, our people, society, and other stakeholders). For our investors we want to create long term value through our financial strategy which is targeted at a strong financial position, reducing debt, restoring dividend, and investing in growth. Ongoing business improvements and solid cash management will enable us to restore didivend and create long-term value for our shareholders. Capital allocations will be directed at reducing debt, restoring dividend and investing in growth. Our investor relations' programme consists of meetings with analysts and investors, conferece calls, roadshows, investor conferences and workshops. In addition, PostNL communicates with the financial community through press releases, the publication of the Annual Report, General Meetings of Shareholders and the company's corporate website.		
Boundary	PostNL N.V. and its consolidated subsidiaries.		
G4-EC1	Direct economic value generated and distributed	Chapters Performance 2015 and outlook 2016 and Financial statements.	
G4-EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	Chapter Risk management. There is no material financial impact of climate change on PostNL's business identified.	
G4-EC3	Coverage of the organization's defined benefit plan obligations	Chapter Financial Statements, Provision for pension liabilities	
G4-EC4	Financial assistance received from government	PostNL does not receive significant financial assistance from governments.	
Environmental			
Energy			
DMA	Stakeholders become more and more aware of our environmental impact which is driven by our energy usage. We believe that minimising our environmental impact will have a positive impact on the realising of our business ambitions. As a logistic service provider energy usage (fuel, electricity and heating) are material environmental aspects for PostNL. We strive to optimise our energy efficiency by managing the energy usage of our buildings and trucks. Over the last years we realised a reduction of the absolute amount of energy used. We are monitoring the progress on a monthly basis. We have established a long term goal based on the so-called CO2 efficiency index. This index includes the CO2 emissions of our buildings and trucks. We invest in new techniques as alternative fuel vehicles, energy efficient buildings, energy efficient sorting machines and lighting and training of our employees to improve our energy efficiency and meet our long term CO2 ambition.		7
Boundary	All entities fully- or majority owned by PostNL. Excluding the German entities Regioservice and Turbopost.		
G4-EN3	Energy consumption within the organization	CR Performance Statements	8, 9
G4-EN4	Energy consumption outside of the organization	We report on emissions of subcontractors conform industry standards, see CR Performance Statements. Omissions: data on energy consumption of all subcontractors are not available and are not expected to become available.	8, 9
G4-EN5	Energy intensity	We don't use own defined energy intensity KPI's we report on engery usages per km and per m2, see CR Performance Statements.	
G4-EN6	Reduction of energy consumption	The various energy reduction initiaves for buildings and vehicles are described in Chapter CR Performance Statements.	8, 9
G4-EN7	Reductions in energy requirements of products and services	Not relevant for PostNL, we report the energy efficiency of our total operations. We don't report on individual product or service level.	
Emissions			
DMA	Stakeholders become more and more aware of our environmental impact which is driven by our energy usage and emissions. We believe that minimising our environmental impact will have a positive influence on the realising of our business ambitions. Our core business is the collecting, sorting and distribution of mail and parcels. Based on our materiallity analyses we selected the most material environmental topics; CO2, NOx and PM10 emissions. For us as a logistic service provider CO2 emissions are the most relevant subject because our trucks and buildings are main parts of our daily business. Energy usage and emissions are reported internally on a monthly base and environmental management targets are set. We manage our emissions by our CO2 efficiency index with the aim to improve our CO2 efficiency with 55% in 2020 compared to the base year 2007. We take measures to improve our own emissions such as the use of CO2-neutral electricity and gas in our buildings and Greengas for our vehicles. Additionally we compensate part of our emissions by Gold Standard credits. We manage our energy efficiency with the aim to reduce our energy consumption and decrease our emissions. We invest in new technologies as energy efficient buildings, lighting, trucks and sorting machines. We also stimulate our subcontractors to reduce their emissions by ecodriving and set a minimum requirement (Euro 5) for the type of trucks they use. Externally we report the absolute CO2 emissions in line with the Green House Gas protocol as well as the absolute NOx and PM10 emissions. Besides these absolute numbers we also publish our emission efficiency numbers for CO2, NOx and PM10.		7

Indicatornr.	Indicator	Details / reference / omissions	Global Compact principles
Boundary	All entities fully- or majority owned by PostNL. Excluding the German entities Regioservice and Turbopost. As subcontractors are important businesspartners for us, they conduct a main part of the delivering activities in some of our entities, we also include their emissions in our Scope 3 emissions.		
G4-EN15	Direct greenhouse gas (ghg) emissions (scope 1)	CR Performance Statements.	8, 9
G4-EN16	Energy indirect greenhouse gas (ghg) emissions (scope 2)	CR Performance Statements.	8, 9
G4-EN17	Other indirect greenhouse gas (ghg) emissions (scope 3)	CR Performance Statements.	8, 9
G4-EN18	Greenhouse gas (ghg) emissions intensity	CR Performance Statements.	8, 9
G4-EN19	Reduction of greenhouse gas (ghg) emissions	In our CR performance statements we report the absolute greenhouse gas emissions conform the GHG protocol. We developed a CO2 efficiency index to manage our CO2 efficiency performance. This index is based on the netto emissions of our buildings and vehicles.	8, 9
G4-EN20	Emissions of ozone-depleting substances (ods)	PostNL does not report on this subject and has no intention of reporting this in the future as the disclosure does not relate to PostNL's business, because the emission of ozone-depleting substances within PostNL is very limited. This indicator is not material for PostNL.	
G4-EN21	NOx, SOx, and other significant air emissions	Chapter CR Performance Statements. NOx and PM10 emissions are measured and the weight and calculation of significant air emissions are reported. PostNL strives to reduce these emissions by increasing the number of Euro 5 and 6 vehicles.	
Transport			
DMA	As logistic service provider transport is a material subject for PostNL. Our large trucks are forming the link between our collecting, sorting and preparation locations while our small trucks are mainly used for our delivery activities. Besides our operational vehicles we manage a fleet of company cars which are used by a part of our employees for business as well as private trips. Our stakeholders ask us to strive for environmental friendly logistic solutions including state of the art transport alternatives. We manage the environmental aspects of our trucks and company cars with the aim to minimise our emissions. We invest in a modern fleet (Euro 5 and Euro 6) including alternavive fuels (Greengas) vehicles and energy efficient driving behaviour of our drivers.		
Boundary	All entities fully- or majority owned by PostNL. Excluding the German entities Regioservice and Turbopost.		
G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce	Chapter CR Statements, reports CO2, PM10 and NOx emissions of PostNL's vehicles, business travel and subcontractors.	
Social			
Employment			
DMA	We are one of the Netherlands' largest private employers, we employ over 49,000 people who reflect society and represent a broad range of different backgrounds and cultures. Our people keep the company running, from the truck drivers in the early morning to the mail sorters late at night; from innovative thinkers to she support staff; and of course our mail and parcel deliverers. There would be no PostNL whithout our people. Which makes our employees a material aspect of our business. We strive to be an attractive employer by investing in the development, sustainable employability and engagement of our employees. Diversity and inclusion, health and safety and recruitment and career development are important subjects for us, we believe that diverse teams will improve business results. We have several initiatives in place to realise a safe and welcome environment. We report on a monthly base about a selected set of employee related KPI's. Employee engagement, which is annually measured, is part of the variable compensation of our (top)management to ensure continuous focus on our employee related ambitions.		
Boundary	All entities fully- or majority owned by PostNL. Excluding the German entities Regioservice and Turbopost.		
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	CR Performance Statements.	
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	We do not make a differentiation between full-time employees and temporary or part-time employees.	
G4-LA3	Return to work and retention rates after parental leave, by gender	We do not report about parental leave.	
Labor and management relations			
DMA	We are one of the Netherlands' largest private employers, we employ over 49,000 people who reflect society and represent a broad range of different backgrounds and cultures. Our people keep the company running, from the truck drivers in the early morning to the mail sorters late at night; from innovative thinkers to she support staff; and of course our mail and parcel deliverers. There would be no PostNL whithout our people. Which makes our employees a material aspect of our business. We strive to be an attractive employer by investing in the development, sustainable employability and engagement of our employees. Diversity and inclusion, health and safety and recruitment and career development are important subjects for us, we believe that diverse teams will improve business results. We have several initiatives in place to realise a safe and welcome environment. We report on a monthly base about a selected set of employee related KPI's. Employee engagement, which is annually measured, is part of the variable compensation of our (top)management to ensure continuous focus on our employee related ambitions. We have intensive relations with all works councils and the unions with the aim to get our organisation as well as our employees fit for the future.		
Boundary	All entities fully- or majority owned by PostNL. Excluding the German entities Regioservice and Turbopost.		
G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	Chapter Implementing our strategy in 2015 A social plan is in place. For temporary employees legal standards are leading.	

Indicatornr.	Indicator	Details / reference / omissions	Global Compact principles
Occupational health and safety			
DMA	We are one of the Netherlands' largest private employers, we employ over 49,000 people who reflect society and represent a broad range of different backgrounds and cultures. Our people keep the company running, from the truck drivers in the early morning to the mail sorters late at night; from innovative thinkers to she support staff; and of course our mail and parcel deliverers. There would be no PostNL whithout our people. Which makes our employees a material aspect of our business. We strive to be an attractive employer by investing in the development and engagement of our employees. Diversity and inclusion, health and safety and recruitment and career development are important subjects for us, we believe that diverse teams will improve business results. We have several initiatives in place to realise a safe and welcome environment. We report on a monthly base about a selected set of employee related KPI's. Employee engagement, which is annually measured, is part of the variable compensation of our (top)management to ensure continuous focus on our employee related ambitions. The health and safety of our employees is part of our daily management system, large part of our organisation is OHSAS 18001 certified. We invest in safe working conditions and safe driving trainings to minimise the number of accidents.		
Boundary	All entities fully- or majority owned by PostNL. Excluding the German entities Regioservice and Turbopost.		
G4-LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	We do not report on this subject. We have no specific health and safety commitees in place. Health and safety is part of our daily management.	
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work related fatalities, by region and by gender	In the chapter CR Performance Statements we report about absenteeism and different types of accidents (fatal, serious, lost time).	
G4-LA7	Workers with high incidence or high risk of diseases related to their occupation	This is not relevant for PostNL as our operational activities do not include high risks for diseases and occupation.	
G4-LA8	Health and safety topics covered in formal agreements with trade unions	Health and safety of our employees is subject of the dialogue we have with the trade unions.	
Training and education			
DMA	We are one of the Netherlands' largest private employers, we employ over 49,000 people who reflect society and represent a broad range of different backgrounds and cultures. Our people keep the company running, from the truck drivers in the early morning to the mail sorters late at night; from innovative thinkers to she support staff; and of course our mail and parcel deliverers. There would be no PostNL whithout our people. Which makes our employees a material aspect of our business. We strive to be an attractive employer by investing in the development and engagement of our employees. Diversity and inclusion, health and safety and recruitment and career development are important subjects for us, we believe that diverse teams will improve business results. We have several initiatives in place to realise a safe and welcome environment. We report on a monthly base about a selected set of employee related KPI's. Employee engagement, which is annually measured, is part of the variable compensation of our (top)management to ensure continuous focus on our employee related ambitions. Training and education of our employees is part of our daily management system, large part of our organisation is Investors in People certified. We encourage our employees to develop their skills and knowledge in order to improve their employability. We have an online training facility in place as well as an extensive management development program.		
Boundary	All entities fully- or majority owned by PostNL. Excluding the German entities Regioservice and Turbopost.		
G4-LA9	Average hours of training per year per employee by gender, and by employee category	Chapter CR Performance Statements. We report the average training hours per FTE we do not split the average number of training hours for gender or employee category.	
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Chapters Implementing our strategy in 2015, CR Performance Statements	
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	Chapter Implementing our strategy in 2015. We strive to evaluate performance and career development with all of our employees on an anual basis, irrespective gender or employee category.	
Compliance			
DMA	At PostNL we want to be known not just for the quality of our products and services, but also for the way we do business. That means doing business in a fair and transparent manner, in accordance with relevant behavioural and ethical standards and our own Business Principles. That applies to our managers and employees as well as to our suppliers. We manage and strive to improve our human resource policies continuously. Monitoring compliance with social laws is part of our daily management. The PostNL Integrity committee advises and assists the Board of Management in developing, implementing and monitoring Group policies and procedures aimed at enhancinig integrity and ethical behaviour and preventing fraud.		
Boundary	All entities fully- or majority owned by PostNL. Excluding the German entities Regioservice and Turbopost.		
G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations	No significant fines are received.	

Appendix 4: Data clarification table

The data clarification table clarifies the coverage of each indicator as presented in the chapter CR Performance Statements of this annual report. For each indicator, the coverage is expressed as a percentage of FTEs of the total number of FTEs. The total number of FTEs is represented at the top of the table.

FTEs reporting on:	2015	2014	2013	2012	2011
PEOPLE INDICATORS					
Workforce					
Full time equivalent	23,648	24,952	27,479	30,008	30,688
Employee Engagement score (coverage expressed in headcount)	100%	100%	95%	97%	93%
Training hours	100%	96%	92%	98%	95%
Gender profile	100%	100%	100%	95%	100%
Gender profile of management	100%	100%	100%	95%	100%
Employees with a disability	100%	100%	100%	100%	100%
Internal promotion	100%	100%	100%	100%	100%
Health and safety					
Fatal accidents	100%	100%	100%	100%	100%
Subcontractor road traffic fatal accidents	100%	100%	100%	100%	100%
Serious accidents	100%	100%	100%	100%	100%
Number of lost time accidents	100%	100%	100%	100%	100%
Lost time accident frequency rate	100%	100%	100%	100%	100%
Absenteeism	100%	100%	98%	100%	100%
Blameworthy road traffic incident rate	100%	100%	100%	100%	100%
ENVIRONMENTAL INDICATORS					
Operational vehicles					
Number of small trucks and vans (<7.5 tonnes)	100%	100%	99%	100%	100%
Number of large trucks (> 7.5 tonnes)	100%	100%	99%	100%	100%
CO_2 efficiency small trucks and vans (< 7.5 tonnes)	100%	100%	99%	100%	100%
CO_2 efficiency large trucks (> 7.5 tonnes)	100%	100%	99%	100%	100%
Buildings					
CO_2 efficiency buildings	88%	89%	86%	91%	99%
Sustainable electricity usage	100%	100%	100%	100%	100%
Company Cars					
CO_2 footprint of company cars	100%	100%	100%	100%	100%
EU standard for trucks (only EU countries)					
Small Trucks	100%	100%	100%	100%	100%
Large Trucks	100%	100%	100%	100%	100%
Coverage PostNL Subcontractor model	100%	100%	98%	98%	98%
CO_2 footprint of Business Travel by Air	100%	100%	100%	100%	100%
Waste					
Total waste per FTE	96%	94%	96%	96%	96%
Percentage of waste seperated for recycling	96%	94%	96%	96%	96%

Appendix 5: Glossary and definitions

Absenteeism
Total days of absence versus potential working days, calculated at year-end.

ACM
The Netherlands Authority for Consumers and Markets.

Auditor
A chartered accountant ('registeraccountant') or other auditor referred to in section 393 of book 2 of the Dutch Civil Code or an organisation in which such auditors work together.

Biogas
Biogas is broadly defined as gas consisting of or derived from biomass. Biogas consists of CO_2 that has recently been extracted from the atmosphere as a result of growing plants and trees, and therefore does not influence the CO_2 concentration in the atmosphere over a longer period of time. This is in contrast to fossil fuels, such as natural gas or crude oil, which are stored over millions of years so that their combustion and subsequent emissions do influence CO_2 levels in the atmosphere.

Blameworthy road traffic incident
A road traffic incident is defined by PostNL as a crash or collision involving a PostNL vehicle. A vehicle incident can also result in an accident to be reported if the employee is injured or dead. Road traffic incidents are considered blameworthy if a PostNL driver is at fault. A road traffic incident excludes superficial damage to windscreens or paintwork, damage due to environmental conditions, vandalism, animals and theft.

Business travel
Business travel refers to all business-related air travel.

Carbon neutral
Carbon neutral means that the net CO_2 equivalent emissions from activities are zero.

Carbon-neutral electricity
Carbon neutral electricity is electricity from 'green' or 'renewable' sources, such as solar, wind, geothermal, biomass, hydroelectric and ocean energy, purchased during the reporting period for power and lighting of all company locations (where this can be established from utility suppliers' invoices or other means). It does not include nuclear electricity.

CO_2 efficiency
CO_2 efficiency expresses the efficiency of PostNL's business in terms of carbon emissions, i.e. the CO_2 emitted per service provided, per letter or parcel delivered.

Company cars
Company-owned or leased vehicles at the disposal of an employee for commuting and business travel. This category also includes hired vehicles used for business expansion purposes (not replacement vehicles hired for vehicles under repair).

Corporate governance
The OECD (see reference in this glossary) defines corporate governance as the system by which corporations are directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among different participants, such as the board, managers, shareholders and other stakeholders, and defines the rules and procedures for making decisions. In doing so, it also provides the structure by which company objectives are set and the means of attaining those objectives and monitoring performance.

Corporate responsibility (CR)
Corporate responsibility is the umbrella term for the obligation a company has to consider the social (corporate social responsibility) and environmental (sustainability) impact of its activities and to go beyond this obligation in the treatment of economic, environmental and social activities to sustain its operations, financial performance and ultimately its reputation.

CR Council
This is a sounding board for the Board of Management for corporate responsibility-related subjects.

Customer satisfaction
Customer satisfaction is an indicator that shows the opinion of customers regarding the service provided in the reporting period. This is measured through external channels such as correspondence, surveys, and focus groups.

Delivery quality
Delivery of a consignment within the timeframe set for the service in question.

Depositary receipts
Refers to depositary receipts for shares in the company.

Disabled employees
Disabled employees are employees on the payroll whose medical condition has been recognised by the relevant authorities as a disability.

Dow Jones Sustainability Indices
Launched in 1999, the Dow Jones Sustainability Indices are the first global indices to track the financial performance of the leading sustainability-driven companies worldwide. They provide asset managers and other stakeholders with reliable and objective benchmarks for managing sustainability portfolios. For further information, see www.sustainability-index.com.

E2E
End-to-end, referring to the beginning and end point of a service.

Employee engagement
Employee engagement refers to the number of employees

(employed by PostNL for three months or more) who stated in the employee engagement survey that they were 'engaged' or 'more than engaged' by PostNL as an employer. An 'engaged employee' is one who feels connected to the company, is enthusiastic about their work, and actively aims to improve the company and its reputation.

Environmental incident

An environmental incident is an incident that has led to the pollution of soil, water or air. This includes failures, breakdowns, floods, spillages, leaks and so forth. Environmental incidents are divided into onsite and offsite incidents. Onsite incidents occur at depots, hubs, offices and other locations owned, leased, rented or operated directly by PostNL. Offsite incidents occur away from depots, hubs, offices and other locations owned, leased, rented or operated directly by PostNL.

European emission standards

Euro 4, Euro 5 and Euro 6 are mandatory European emission standards (EU directives) applicable to new road vehicles sold in the European Union. They define levels of vehicular emissions such as nitrogen oxides (NOx) and particulate matter (PM).

Express activities / Express business / Express

The Express activities of TNT N.V. consist of on-demand door-to-door express delivery services for customers sending documents, parcels and freight. Following the demerger of TNT N.V. on 31 May 2011, such activities are exercised by TNT Express Group.

Fatal accidents

The death of any person because of an occupational accident. An occupational accident is an unexpected and unplanned occurrence, including acts of violence, arising out of or in connection with work activities performed for PostNL. It doesn't matter where the fatal accident has taken place or which person (employee or third party) is a casualty.

Full-time equivalents (FTEs)

FTEs refer to the total number of hours worked by the headcount divided by the local number of contract hours (e.g. 40 p/w or 196 p/m).

General Meeting of Shareholders

The meeting of shareholders and other persons entitled to attend meetings.

Global Reporting Initiative (GRI)

The GRI is a multi-stakeholder process and an independent institution whose mission is to develop and disseminate globally applicable sustainability reporting guidelines for voluntary use by organisations that report on the economic, environmental and social dimensions of their business. The GRI incorporates participation of business, accountancy, investment, environmental, human rights and research and labour organisations from around the world. The GRI began in 1997 in partnership with the United Nations and became an independent body in 2002. It continues to collaborate with the United Nations Environment Programme and works with the United Nations Global Compact. For more information, see www.globalreporting.org.

Green gas

Green gas is a sustainable variant of natural gas and is produced by upgrading biogas to the same quality as natural gas. Green gas is a renewable fuel, which is produced cleanly.

Greenhouse Gas Protocol

The Greenhouse Gas Protocol (GHG Protocol) was established in 1998 to develop internationally-accepted accounting and reporting standards for greenhouse gas emissions from companies.

Group company

A group company as defined in article 2:24b of the Dutch Civil Code.

Headcount

Headcount is the number of employees on the payroll in active duty working for fully consolidated companies.

IFRS

International Financial Reporting Standards.

IFRS-EU

IFRS, as adopted by the European Union.

Internal promotion

The number of PostNL employees appointed to vacancies in management positions at the end of a reporting period. This refers to the number of actual appointments, not the number of FTE positions.

Internet of Things (IoT)

The Internet of Things (IoT) is the network of devices that connect online and share data. This includes vehicles, buildings, white goods (such as fridges), and even clothes, which contain electronics, software, sensors, and network connectivity. The IoT allows objects to be sensed and controlled remotely across existing network infrastructure, creating opportunities for more direct integration of the physical world into computer-based systems, resulting in improved efficiency, economic growth, and innovations. Estimate are that the IoT will consist of almost 50 billion objects by 2020.

Investors in People (IiP)

Developed in 1990 by a partnership of leading businesses and national organisations, IiP helps organisations to improve performance and realise objectives through the management and development of their staff. For further information, see www.investorsinpeople.co.uk.

ISO (International Organization for Standardization)

The ISO is a network of national standards institutes from 146 countries working in partnership with international organisations, governments, industry, business and consumer representatives.

The ISO is the source of ISO 9000 standards for quality management, ISO 14000 standards for environmental management and other international standards for business, government and society. For further information, see www.iso.org.

ISO 9001 (quality management)

The ISO 9000 standards cover an organisation's practices in fulfilling customers' quality requirements and applicable regulatory requirements while aiming to enhance customer satisfaction and achieve continual improvement of its performance in pursuit of these objectives.

ISO 14001 (environmental management)

The ISO 14001 standards are international standards for controlling environmental aspects and improving environmental performance, minimising harmful effects on the environment and achieving continual improvements in environmental performance.

Key performance indicators (KPIs)

KPIs are measurements that focus on achieving outcomes critical to the current and future success of an organisation. These indicators should deal with matters that are linked to the organisation's mission and vision, and are quantified and influenced where possible.

Lost time accident

A lost time accident is an occupational accident resulting in the absence of a PostNL employee for at least one working day. An occupational accident is an unexpected and unplanned occurrence, including acts of violence, arising out of or in connection with work activities performed for PostNL. Each lost time accident is only counted once and in the month it occurs.

Non-blameworthy road traffic incident

A road traffic incident is defined by PostNL as a crash or collision involving a PostNL vehicle. A vehicle incident can also result in an accident that has to be reported if the employee is injured or dead. Road traffic incidents are considered non-blameworthy if a PostNL driver is not at fault. A road traffic incident excludes superficial damage to windscreens or paintwork, damage due to environmental conditions, vandalism, animals and theft.

Number of supervisory positions

According to Dutch law, the number of supervisory positions that managing and supervisory board members may hold in certain companies is limited (article 2:132a of the Dutch Civil Code for managing board members and article 2:142a of the Dutch Civil Code for supervisory board members). Since 1 January 2013 a person is prohibited from being appointed member of the supervisory board of more than five so-called large entities (including PostNL), whereby a chairman position counts twice. Existing positions are exempt, but if they exceed five, they must be reconsidered at the moment of (re)appointment. Board members holding more than the maximum number of positions on 1 January 2013 are not obliged to resign from these positions, but positions must be reconsidered at the time of reappointment.

NOx

NOx (NO and NO_2) refers to nitrogen oxides. Nitrogen oxides are produced during combustion, especially at high temperatures.

OECD

Organisation for Economic Co-operation and Development.

OHSAS 18001 (occupational health and safety management)

OHSAS 18001 is a standard for occupational health and safety management systems. It is intended to help organisations control occupational health and safety risks and was developed in response to widespread demand for a recognised standard for certification and assessment. OHSAS 18001 was created through the collaboration of several of the world's leading national standards bodies, certification organisations and consultancies. For further information, see www.ohsas-18001-occupationalhealth-and-safety.com.

Omnichannel

An omnichannel organisation is one that focuses on the customer, without being dependent on time, place and channel. Customers experience a consistent experience across all channels because the organisation provides relevant and immediately available information and content.

Packet

Postal item containing goods weighing up to 2 kg, which generally fit through the slot of a letterbox.

Parcel

Goods to be transported by a distribution company, weighing up to 30 kg.

PM10

Particulates, alternatively referred to as particulate matter (PM), such as fine particles and soot, are tiny subdivisions of solid matter suspended in a gas or liquid. The notation PM10 is used to describe particles of 10 micrometres or less.

PostNL N.V.

A public limited liability company incorporated under the laws of the Netherlands, listed on the Amsterdam Stock Exchange, with its statutory seat in The Hague, the Netherlands, and its registered office at Prinses Beatrixlaan 23, 2595 AK The Hague, the Netherlands, until 31 May 2011 named TNT N.V. PostNL (Group) PostNL N.V. and its Group companies.

Serious accident

A serious accident is an occupational accident where a PostNL employee is admitted to a hospital ward within 30 days after the accident happened. An occupational accident is an unexpected and unplanned occurrence, including acts of violence, arising out of or in connection with work activities performed for PostNL.

Sorting and delivery centres

The new sorting and delivery centres of PostNL Parcels in the Netherlands. There are eighteen centres with automated sorting, which are all directly connected by linehauls and all serve as a starting point for distribution rounds and returns handling.

TNT N.V.
Until the demerger of its Express activities on 31 May 2011, TNT N.V. was a public limited liability company incorporated under the laws of the Netherlands, listed on the Amsterdam Stock Exchange, with its statutory seat in Amsterdam, the Netherlands, and its registered office at Taurusavenue 111, 2132 LS Hoofddorp, the Netherlands. Following the demerger on 31 May 2011, it was renamed PostNL N.V.

TNT Express (Group)
TNT Express N.V. and its Group companies.

TNT Express N.V.
A public limited liability company incorporated under the laws of the Netherlands, listed on the Amsterdam Stock Exchange, with its statutory seat in Amsterdam, the Netherlands, and its registered office at Taurusavenue 111, 2132 LS Hoofddorp, the Netherlands. It was demerged from TNT N.V. on 31 May 2011 and is the ultimate parent company of the former Express activities of TNT N.V.

USO
Universal Service Obligation. The designation as universal service provider obliges PostNL to collect and deliver domestic mail and parcels five days a week (mourning cards and medical post 6 days a week), and to provide for cross border mail and parcels according to the Universal Postal Union (UPU) rules.

Working hours
The definition of working hours is based on the total number of individually-calculated hours adjusted for overtime, leave or similar deviations.

Appendix 6: Summary of key figures

All numbers presented in this appendix are the reported numbers in the respective Annual Reports of 2011 till 2015, unless restated in a later year. Following the management buy-out of Whistl in 2015, revenues and underlying cash operating income of Whistl within segment International have been excluded for all years presented.

(in € millions, unless indicated otherwise)

	2015	2014	2013	2012	2011
Financial performance					
Revenue					
Mail in the Netherlands	1,961	2,044	2,060	2,270	2,429
Parcels	917	854	803	730	608
International	983	921	885	874	856
PostNL	3,461	3,465	3,435	3,580	3,686
Underlying cash operating income					
Mail in the Netherlands	204	230	78	20	154
Parcels	101	98	89	100	92
International	19	2	14	15	(2)
PostNL Other	(21)	(43)	(44)	(17)	(31)
PostNL	303	287	137	118	213
Underlying cash operating income margin					
Mail in the Netherlands	10.4%	11.3%	3.8%	0.8%	6.3%
Parcels	11.0%	11.5%	11.1%	13.7%	15.1%
International	1.9%	0.2%	1.6%	1.7%	(0.2%)
PostNL	8.8%	8.3%	4.0%	3.3%	5.8%
Net cash from operating & investing activities	135	141	492	(212)	169
Cash and cash equivalents	355	585	451	391	668
Net debt	552	683	823	1,224	1,002
Consolidated equity attributable to the equity holders of the parent	(223)	(597)	(692)	(314)	(290)
Corporate equity	2,204	1,983	1,925	1,138	1,427
Month-end coverage ratio main pension fund	106.0%	108.9%	111.9%	102.5%	99.8%
12-months average coverage ratio main pension fund	106.8%	111.8%			
IAS 19 discount rate	2.5%	2.3%	3.5%	3.7%	4.8%
Cash out from pensions	179	168	309	348	265
Profit for the year (excluding TNT Express)	147	220	164	222	238
Earnings per share (excluding TNT Express in € cents)	33.3	49.9	37.3	50.5	55.2
Operational performance					
Volumes (in millions of items)					
Mail in the Netherlands	2,401	2,705	3,029	3,437	3,777
Parcels	156	142	131	120	106
Volumes growth/(decline) percentage					
Mail in the Netherlands	(11.2%)	(10.7%)	(11.6%)	(9.0%)	(7.2%)
Parcels	9.6%	8.8%	9.2%	13.2%	6.0%
Delivery quality Mail in the Netherlands (2015 preliminary)	96.4%	96.7%	95.8%	93.9%	96.1%
Cost savings	85	127	95	39	71
CR Performance					
Customer satisfaction	86%	85%	83%	79%	not reported
Employee engagement score	64%	59%	57%	56%	56%
Absenteeism	5.0%	5.2%	5.5%	5.8%	5.8%
CO_2 efficiency index	51.4	56.1	57.3	60.8	64.1