



# Event transcript KPN ESG Webinar 2024

Tuesday, 26<sup>th</sup> November 2024

## **DISCLAIMER**

*The information contained in this event transcript is a textual representation of the applicable webcast and while efforts are made to provide an accurate transcription, there may be material errors, omissions, or inaccuracies in the reporting of the substance of the webcast. In no way does Koninklijke KPN N.V. ("KPN") assume any responsibility for any investment or other decisions made based upon the information provided in this event transcript, and KPN advises to use all available information about the company, the stock and the market in any investment or other decision. In particular, the transcript should be regarded in its entire context, including the setting of the webcast in which it was brought and the presentation or any other documents used or published in relation thereto.*

*KPN reserves the right to make changes to this document and its content without obligation to notify any person of such changes.*

## KPN ESG webinar 2024

**Matthijs van Leijenhorst:** Good afternoon, everyone, and welcome to KPN's ESG Webinar 2024. Today, our CFO, Chris Figeer, will share an update on the execution of KPN's ESG strategy. The presentation will be followed by a Q&A session where our ESG experts, Jikke Op de Weegh, Head of Corporate Social Responsibility, and Jeroen Cox, VP Energy and Environment, will join Chris to answer your questions. Please note that you can ask questions throughout the presentation by using the box in your screen.

Now, as usual, before turning to the core of the presentation, I would like to draw your attention to the safe harbor included on slide 36 of this pack, which also applies to any statements made during this presentation. The presentation of today and the replay of the session will be available at our Investor Relations website after the webcast.

It's time to start. Before I hand over to our CFO, Chris Figeer, we would like to show a video of a recent campaign we did on online shaming.

**Chris Figeer:** Dear participants, good afternoon. I don't know about you, but this video never ceases to amaze me and never ceases to touch me. KPN is deeply embedded in Dutch society, and that has never been more clear than via this video, this deliberate investment. The urgency of social challenges and climate change aligns directly with our core purpose, to connect each and everyone in the Netherlands to a sustainable future. At KPN, we shape this purpose by promoting a better internet, which is about much more than speed-tiering or private networks. It's about making the internet a trusted space where we can all thrive, a part of society where we all feel welcome and connected.

Our recently published ESG manifesto provides guidelines to achieve a better internet, which is incorporated in our strategy and aligned with our ambitious goals. Whilst we've positioned ourselves as a leading telco in well-recognized ESG benchmarks and have ESG already deeply rooted within our organization and our financing instruments, we keep challenging ourselves to minimize negative and maximize positive impact on society.

At the same time, we make sure to align with the latest international reporting requirements by already performing a double materiality analysis last year and to be fully CSRD compliant this year, which we'll be discussing later in this presentation. In a nutshell, the core of our ESG strategy is to make our networks reliable and secure by design, in line with society's need for digitization. Expanding our fiber network is key in this strategy. With this, we connect everyone while promoting social and digital inclusion. And we do this in the most sustainable way as we can, as we aim to be net zero in the entire value chain by 2040.

At our Capital Markets Day, we presented our Connect, Activate and Grow strategy, which will guide our journey until 2027. In essence, our vision and strategic imperatives will shape a future where KPN stands at the forefront of innovation, connectivity and sustainability. And our Connect, Activate and Grow strategy includes an integrated ESG agenda, showing how our company's growth and social progress are intertwined.

Three ESG pillars are incorporated in the strategy. Responsible, inclusive and sustainable now address seven of the UN's Sustainable Development Goals and are fully integrated into our business model. We provide services that are designed to be reliable and safe, and uphold fundamental human rights across our entire value chain. We make it possible for everyone to participate in and benefit from a connected society, and we minimize our environmental footprint, maximize our impact, and actively work towards a greener future by focusing on energy efficiency, circularity, and biodiversity. The ESG pillars are based on our ESG manifesto for a better internet, also available at our IR website.

Over the past decades, we made a conscious choice to be a frontrunner in ESG. We have achieved important milestones in this respect. Amongst them, we launched KPN's Mooiste Contact Fonds back in 2007, focusing on increasing digital and social inclusion and awareness in society. We have been using a 100% green electricity since 2011 and have been carbon neutral for our own operations since 2015. We also attach great importance to diversity in our workforce. Currently, one-third of our Supervisory Board and half of our Board of Management are women.

This timeline, of course, is not the end of the journey. There is still much more to do and to improve, which I'll discuss later in this presentation.

Our commitment to sustainability is evidenced by several important independent ESG benchmarks. For instance, for years now, KPN holds an AAA MSCI rating and a platinum status with EcoVadis. We're also well positioned on the Carbon Disclosure Project benchmark. These benchmarks are not only useful for comparison with peers, but also make KPN a more attractive party for investors, large corporate clients and other stakeholders.

To realize our ambitious targets, we proactively engage with suppliers on carbon reduction in our value chain, and we collaborate in industry groups on reliable reporting. We're also active in several working groups initiated by NGOs and participate in or liaise with organizations to address climate change and human rights issues.

For instance, we're active in the Groene Netten, or Green Networks, a coalition of eight large Dutch infrastructure operators with the goal of making infrastructure more sustainable. We actively participate in the joint alliance for CSR, collaborating with other telecom operators to standardize social and environmental criteria. And recently, the Science Based Targets Initiative has validated KPN's near and long-term emission reduction targets to reach net zero by 2040.

ESG forms an integral part of our organization, from the Supervisory Board's ESG Committee, created to oversee the development and implementation of our company's ESG strategy, cascaded all the way down to dedicated teams in the organization, who are responsible to put these ambitions into action. Our commitment to sustainability is evidenced by our executive remuneration policy, which is tied to our sustainability ambitions.

In 2023, we performed a double materiality analysis, setting the foundation for the upcoming CSRD reporting, which will be published in our 2024 integrated annual report. We followed a detailed process to identify the most material topics for KPN in terms of impact and financial implications, together with key stakeholders. As a result of this assessment, 11 topics were classified material for KPN, of which circular economy, cybersecurity and climate change were the most material topics.

And we put our money where our mouth is. In June this year, we issued a €500 million green hybrid bond under our Green Finance Framework, with the objective to finance or refinance projects with positive environmental impact in three areas. One, energy efficiency, including fiber rollout and mobile network modernization. Second, circular economy. And third, clean transportation. In total, we now have €2.7 Billion of sustainable financing instruments outstanding. This shows our strong commitment to sustainability and KPN's ambition to contribute to climate change mitigation.

Let's now discuss each of the pillars of our ESG strategy. Our first focus is linked to security. As we connect everyone, it is of utmost importance that we have secured data, networks and systems, so that personal information remains confidential, and important data remains accessible. KPN Security is the largest provider of IT security services in the Netherlands, helping sectors which are increasingly vulnerable to security threats these days. We continuously assess how we can improve the privacy protection of our systems and we help our customers to protect their networks. For example, by the end of 2023, over 60% of our SME KPN EEN customers had activated Extra Secure Internet.

For large corporate customers, we launched Next-Gen Home, a product for secure hybrid work connections. In wholesale, we leverage the network, knowledge, and technology of our leading internet exchange, NL-ix, that recently partnered with Nokia to deploy a pan-European anti-DDoS solution. Internally, we aim to have 3,500 KPN employees certified on security awareness by the end of the year.

In a society that's increasingly dependent on connectivity, we understand the importance of reliable services and empower all our customers to fully capitalize on the opportunities offered by the digital world. KPN has built a superior network for both fixed and mobile services. A higher level of network quality leads to a lower number of operational incidents and service interruptions and, importantly, less energy usage. To ensure service availability, we continuously focus on improving our network reliability and experience by monitoring disruptions 24/7, by optimizing network configuration and automating network processes.

All these investments to provide best-in-class networks are valued and recognized by a broad range of independent benchmarks to consistently rank in the global top tier. For example, Umlaut recognized our mobile network as best in tests in the Netherlands, with the highest score ever measured in an independent test.

KPN is at the heart of society, which means we have a responsibility to respect and protect human rights. We do this for our employees and customers, in our supply chain and for society as a whole. To do this, we published the Human Rights Code, which overlooks key concerning topics for all our stakeholders. Furthermore, we collaborate with partners, such as the Joint Alliance for CSR, and organizations, such as the Responsible Mining Initiative, to have access to third parties further down our value chain.

In line with our mission for a better internet, we launched a nationwide campaign for online shaming together with singer MEAU in February. The video shown at the start of this webinar reached over 33 million views and shares. We also held informative webinars for parents and caretakers and conducted educational sessions in secondary schools to raise awareness on this relevant topic. The campaign had a powerful impact on society, inspiring us to keep addressing important social issues and to promote a better internet for all.

We have set ambitious goals to strengthen our commitment of being a responsible company. We target to educate 3,500 technical employees on security matters by year-end. We maintain a continuous focus on improving our net promoter scores across the business and consumer markets. We ensure consumer data remains secure while using KPN services, which over 60% of Dutch society already agrees upon. And finally, we aim to limit customer complaints about privacy breaches, obviously, as much as possible.

Now let's move to the second pillar of our ESG strategy. At KPN, we are committed to fostering diversity. We promote diverse teams across the organization, recognizing the mix of gender, age, cultural background and other dimensions adds value to our work. While we are proud of the balanced gender representation in our top management, we are dedicated to further strengthen diversity throughout the organization. We realize that there is work to be done.

Our commitment is also reflected in the variety of employee networks, where employees can express themselves, share stories, get inspired and expand their connections. We work continuously to create an inclusive, safe and equal workplace. Over 80% of our employees view our diversity and inclusiveness policy positively, and we are pleased to see the score steadily improving.

We provide a stable network that consistently delivers the best quality where everyone in the Netherlands enjoys seamless access to internet, powered by fiber and 5G. Together with our joint venture Glaspoort, we invest hundreds of millions of euros every year to build a modern fiber network. Today we cover more than 60% of the Netherlands with fiber, and by 2026 we aim to reach about 80% coverage. After this date, we'll also provide the remaining 20% with a future-proof connection. These networks will ensure that everyone, everywhere has access to high-quality connectivity, the cornerstone of digital inclusion.

And for us, digital inclusion means that people, regardless of their background, socio-economic position or disability, can participate fully in a digital world. Therefore, we make sure all our products and services adhere to the EU Accessibility Act, making it easy and accessible for everyone to use them. In addition, we offer a specialized service for people with hearing and speech disabilities called the KPN Teletolk.

Digital connectivity contributes to social connectedness. Since 2015, we have promoted social inclusion through an apprenticeship program to support people with a distance to the labor market. Our program supported more than 150 employees, and over 60% found a long-term job within three months after graduation. And in 2023, we achieved the Aspirant Status certification of the Social Entrepreneurship Performance Ladder, the PSO, a quality mark of TNO, an independent not-for-profit research organization that objectively measures and rates the extent of socially responsible businesses.

This certification indicates that we are actively working towards meeting the criteria for higher levels of social responsibility, an important step in our journey to align our business practices with the principles of social entrepreneurship and corporate responsibility. We take a customer-centric approach to assisting those facing financial difficulties by managing our debt collection process in-house. This allows us to offer solutions that support customers with debt issues whilst avoiding harsh measures.

To prevent debt problems before they arise, we conduct over 180,000 customer acceptance policy checks every month and actively guide customers to the Dutch Debt Relief Route when needed. Additionally, we adjust our prices in line with CPI to minimize customer financial burden during macroeconomic challenging times. Today, only 0.3% of our broadband customers are classified as bad debt on an annualized basis.

We have set ambitious goals to make our company more inclusive. By 2025, we aim to have women representing over a third of the positions that directly report to the Board of Management. We're not there yet, but have implemented measures to improve diversity at this level. While we are proud of our current employee engagement score, we aim to further increase it to about 85%. Together with Glaspoort, we are on track to cover 80% of Dutch households with fiber by the end of 2026, and we are committed to covering the nearly entire country with 5G by 2025. Nearly all of our employees are trained to detect and prevent corruption, ensuring integrity throughout the organization.

Now let's move to our final pillar, sustainability. We have set concrete targets for Scope 1, 2, and 3. In terms of Scope 1, our efforts to reduce our direct emissions have already seen significant success. By the end of 2023, we already reduced emissions by about 75% versus 2015, making us confident to achieve our net-zero targets by 2040.

We have implemented several initiatives over the past years, including the transition of our car fleet to electrical vehicles and encouraging employees to adopt more sustainable commuting options, such as cycling. The chart on the left illustrates our energy consumption in relation to data communication growth. Despite the exponential rise in data traffic, we have successfully managed to reduce our energy consumption, or Scope 2 emissions.

As highlighted during our CMD, the full modernization of our operating model is driving significant savings across the entire KPN value chain. By modernizing and simplifying our network, reducing our office and data center footprint, by optimizing cooling systems and switching off copper, we expect to see a continued and substantial reduction in overall energy consumption. Additionally, potential indirect savings, such as the adoption of smart energy solutions, will play a key role in meeting our annual energy consumption target of less than 400 GWh by 2030, representing a further reduction of about 10% compared to 2023.

Next to this, we are looking for alternative energy sources. In May, we announced that we will purchase electricity from Eneco's newly built solar farm, supplying green energy to KPN's networks from early 2025. Additionally, in 2022, we signed an agreement with Eneco to purchase wind energy, starting from 2027. As a result, about two-thirds of KPN's electricity consumption will consist of wind and solar, aligning with our ambitious sustainability goals. This transition will not only make our energy usage more sustainable, but also provides greater predictability in energy prices.

On the right, we portrayed an illustrative development of how energy resources fluctuate over time in relation to our demand. To address these fluctuations, we are updating our energy procurement strategy, which includes balancing the use of smart energy storage and selling excess energy when available.

About 80% of our emissions come from our value chain, or Scope 3 emissions. To further reduce these emissions, we support the Joint Alliance for CSR in developing carbon reduction programs. We actively collaborate with our suppliers on carbon reduction through our supplier conduct code and targeted actions, and introduce energy-saving features for customer equipment, such as modems and TV receivers. For our Scope 1, 2 and 3 targets approved by the Science Based Targets Initiative, we are confident that we are on the right path to achieving our goal of net-zero emissions across our entire value chain by 2040.

And the final component of our journey to net-zero centers on building a circular economy. This requires transforming the way we do business, exploring new business models, products, services, supply and distribution chains. Since launching our Circularity program in 2016, we've set an ambitious goal for 2025. Initially, we focused on the outflow of materials, achieving an 87% rate of re-use and recycling. We also introduced circular design products and services in the B2B market. Our next objective is to gain deeper insights into the inflow of materials. And we remain committed to advancing circularity as a core element of our net-zero strategy, with dematerialization recognized as a key lever for decarbonization.

While biodiversity did not emerge as a material topic for KPN in our DMA, our significant physical access infrastructure across the country, such as our fiber lines, our technical buildings and our office footprint, compels us to take meaningful action. To address this, we have partnered with Naturalis Biodiversity Centre and Green Networks to identify areas of potential impact and explore sustainable maintenance practices and nature-inclusive construction guidelines. We've implemented these practices in several locations by making fiber technical buildings more nature inclusive. Additionally, in collaboration with Leiden University, we're developing a vision and a roadmap for supporting biodiversity, guided by the Taskforce for Nature-related Financial Disclosures framework.

Now, let's discuss our ambitions and achievements on the final pillar of our ESG strategy. And whilst we are climate neutral in our own operations, we are committed to further increasing the use of fossil-free fuel vehicles and reducing overall energy consumption. We've signed wind and solar energy PPAs to ensure that by 2027, two-thirds of our energy will come from sustainable sources. Since 2014, we reduced our Scope 3 emissions by 30%, targeting to achieve net-zero across the entire value chain by 2040. And currently we re-use and recycle 87% of our materials and waste that are directed towards re-use, recycling, incineration or landfill. Whilst expanding our scope with the introduction of new products, our aim is to maintain this level of performance over the coming years. And these efforts reflect our ongoing commitment to sustainable practices and to achieving our long-term net-zero goals.

Looking ahead, we also increasingly integrate artificial intelligence into our operations to make KPN and society more sustainable. Aiming to maximize positive impact, we developed the Responsible AI Framework, a tool that evaluates AI initiatives against six core values aligned with our ESG manifesto. Some examples of responsible AI include, one, we continually analyze large amount of network performance data to prevent network outages proactively. We simulate network design, which helps reducing energy consumption in KPN premises and optimizes bandwidth usage in our mobile network. And we're actively testing AI chatbots that are efficient, user-friendly, and, importantly, ethical. We'll continue to further develop AI applications that promote responsibility, inclusivity, and sustainability, benefiting both KPN and society as a whole.

So to wrap up, some key highlights from our ESG webinar. As we've seen, ESG is deeply embedded in our culture and values, reflecting our commitment to the social and environmental impact we have on our Dutch society. While we've been making significant steps over the past years, we recognize there is still more to be done to become an even more responsible, inclusive and sustainable company. Every day we work hard to connect and include everyone, everywhere, with high-quality connectivity, delivered in the most sustainable way possible.

Thank you for listening. Now let's move to your questions.

## Questions and Answers

**Matthijs van Leijenhorst:** Thank you, Chris. As said, Chris will be joined by our Head of CSR, Jikke op de Weegh, and Jeroen Cox, Head of Energy and Environment. Please note that you can ask questions by using the box on your screen. We already received quite a few questions during the presentation. I'll ask the first one. Chris, why are women well represented at the top, but not throughout the company?

**Chris Fige:** Let me give you a short answer, and I'll leave it to Jikke to complete. Obviously, it's always easier to represent women at the top. Once you go deep into the company, we have a significant portion of our workforce that does technical work, receives technical education. And obviously with that, there's less women available in those sectors. I think it's a matter of time. We are investing in what I call more inclusive selection processes, inclusive selection committees, inclusive selection language, hiring language, and a more hiring process more focused on women.

But when you go into the IT or technical domain, it's actually harder to find women than, well, for example, when you become a board member. Jikke, you want to add something to that?

**Jikke op de Weegh:** Yeah, and I think we especially also focus on really listening to women who work within KPN. So, where are they happy and going well or not? And even when women are leaving the company, it's quite hard to find women in technical domains, but it's also hard to keep them within the company. So especially, when they want to leave KPN, we also have an exit conversation why they leave, so we can learn and so update our processes, to try to keep more women in the future.

**Matthijs van Leijenhorst:** Jikke, could you give some examples on what actions you do?

**Jikke op de Weegh:** Yeah, there's a special group of women at KPN. So we discuss the pros and cons of working within KPN, being a woman in a very technical domain. Yeah, and what I said, it's more listening and trying to understand what makes women happy to work at KPN and deliver their values to our company.

**Chris Fige:** That's important. I think for now, what we do in selection processes, we try to eliminate all unconscious biases in language that you use in your job at first or in selection procedures in committees. So, using all sorts of tools and education to remove what I call unconscious biases to make sure that the selection evaluation process is completely fair.

**Matthijs van Leijenhorst:** Interesting. I have a question from Luigi Minerva. How have you defined your ESG agenda, and how do you prioritize ESG initiatives?

**Chris Figue:** Let me say a few words, and I also give back to Jikke who runs our CSR team. The ESG agenda is set together with the Supervisory Board and the Board of Management. So we have various committees inside KPN, inside the group. There's an ESG board run by people inside KPN. They all report to a board member, and we have ESG topics on the Board every quarter, and then we set it together with the ESG Committee and the Supervisory Board together along these various pillars.

Typically, the company comes up with proposals, but it's fairly challenged by our Supervisory Board to go further. That's the structure, and some of those components are also embedded in our long-term and short-term incentive programs to make sure we're fully incentivized to deliver.

Jikke, you want to add?

**Jikke op de Weegh:** We've been doing a lot on ESG for almost 15 years already. I think that's very well in place within KPN. And how we decide on topics is really listening to people around us, so we have a lot of conversation with experts who guide us what will be important in the future. We have a lot of conversations with other telcos within Europe and worldwide. We speak a lot to other corporates in the Netherlands. And I think we all get a joint agenda what are the most important topics to follow on.

**Chris Figue:** We have a series of what I call stakeholder dialogues. So we invite people from the country, from other corporates, from other institutions, to join us for a meeting of an hour, an hour and a half, just to discuss a topic. So we raise a topic, and we share opinions, we share views. Not with the objective to walk away with an action list, but to listen to others, get ideas, get inspired, and see what society finds important. So through these stakeholder dialogues – I had one last week on diversity and inclusion. We've had one on energy, on supply chain management. Just listening to what outsiders tell us is also very important.

**Matthijs van Leijenhorst:** Thank you. How would you describe KPN's corporate culture, and what are the two or three most important areas in which you're currently working to improve progress to the culture of the company?

**Chris Figue:** Maybe it's a good question for Jeroen on corporate culture. I can say what I think it is, but good to see if you...

**Jeroen Cox:** Yeah, I think we are a very Dutch company, so we are outspoken and, in a way, direct. So I think we have a very transparent way towards each other, what we think, how well we are doing. So in that way, there's an active dialogue in each of the themes. And at the same time, we also love numbers. So we also set targets and we set KPIs. And in that way, we also have that balance of the dialogue and also, let's say, the number crunching.

**Chris Figue:** Jikke, what's your experience on that?

**Jikke op de Weegh:** I think we have a very open culture in which we learn a lot from each other, and everyone is very open-minded for new things. And I think especially in the ESG matters, sustainability, when you think of we have to do an extra step to get to our goals, you can find your audience, and you can change the processes within KPN. So it's quite a flexible, well-willing, growing company.

**Chris Fige:** We always tell, jokingly, we all have a green heart. Our corporate color is green, of course. Everybody feels we have a green heart. When I first came here, people told me, 'You'll have a green heart in three months,' and I had no idea what that meant, but in three months, I felt my heart was painted green. I think it has to do with we feel we have a certain degree of responsibility as the network of the Netherlands. There's obviously other networks out there, but we feel we've got the most prominent network in the Netherlands. And we feel responsible, so there's a genuine quality orientation. We want to run the best network and be known for quality of service, quality of products.

And there's a very technical, number-oriented approach. We like to solve problems. We like to make things technically perfect. That's also a part of how things work.

**Matthijs van Leijenhorst:** Thank you. This one is for Jeroen. How do you plan to reduce Scope 3 emissions? Could you give some color also on circularity?

**Jeroen Cox:** Yeah, sure. If you look at Scope 3 emissions, that's basically everything that you buy that gets transported to you and then, at the end, gets reused or recycled. And let's say it's like 80/20, 80 supplier related and 20 consumer related. So the one part, is looking at your supplier base and your top suppliers and how well they are doing in terms of also converting towards 2040 to become net zero themselves. So the standard that we set to ourselves, we also like to set to suppliers.

And we do that not only by ourselves with direct vendor engagement, but also via industry bodies like the Joint Alliance for CSR, whereby over half of the industry is represented. So in that way, we also have a certain leverage towards suppliers that we all use in this industry. And if you look at the consumer side, naturally we provide set-up boxes and modems and whatnot to our suppliers, to our customers. And there, we want that equipment to be energy efficient. And over time also, we have some tailwind by the green grid of the Netherlands because we also have to look at how green the electricity is of the energy that customers are using. And that's around 60% at the moment.

And if you also add circularity into that equation, we've been running circularity programs since 2016. And as Chris mentioned before, we started focusing on outflow of materials, and I think in 2016, we were, like, 46% reuse and recycling, and we're now at 87%. And now we're focusing more on the design side with products, and then we move to circular services in the B2B space. And for inflow, we can now measure the inflow of materials for the consumer market, and over time we will expand that scope.

**Matthijs van Leijenhorst:** Okay. Could you tell us the status of the copper switch-off, and how it will reduce your energy spending?

**Chris Fige:** Let me say a few words on where I think we stand, and you guys can talk more about the energy implication. So what we do is we switch off copper every year. There's a clear regulatory protocol that has to do with an announcement period and the actual switching off. So basically, every time you roll out fiber, you announce that you intend to switch off copper. And you have, three years before you can actually do the physical switch off.

We've now switched off about 3.5 million lines of copper, and every year, we add about 300,000 to 400,000 lines to that switch-off base from now on. And the switch-off means they're disconnected, they're no longer in use at this point.

We focused a lot on making sure people stay connected, so that you don't go for a hard switch-off and leave all sorts of people without connectivity. I think the aftercare group is actually quite small. There's a few thousand of them. Of the 3.5 million, there's a few thousand people that we have not been able to reach, but we've not switched them – we never went through a hard switch-off. So we're very careful to make sure that everybody stays connected. But we're now at 3.5 million. And maybe Jeroen, you could say something and then what comes after that.

**Jeroen Cox:** Yeah, so if you also look at the graph that we presented in the deck, you can always see that we reduced significant energy over time, and it has to do with simplification of the network. So basically, moving from an older telco infrastructure to a newer, more energy-efficient infrastructure. And that will continue with this copper switch-off. So it's not just the wire copper, but it's the whole infrastructure that's simplified. And at the same time also virtualizing our network, so adding more functionality to networks, so they become more software based. And in addition, also the sourcing side is interesting. I think maybe, Jikke, you want to add to that as well?

**Jikke op de Weegh:** Yeah, I think that the most important thing of copper phase-off is really reducing our energy levels down, but still we are using energy. So Chris was earlier mentioning, we are looking for new sources, real sustainable sources like wind and solar. And I think our next biggest challenge is the match of demand to supply of energy. So how can we really ban fossil fuels? By using the right energy at the right time. So when there is a lot of wind and a lot of solar, we have to use a lot of energy. That's for everyone in the Netherlands, but also for KPN. And how can we be very responsible in our energy consumption when there is less wind and sun? And how can we just help?

And then, I think you really will see that the energy transition is more like a digital transition. So everything needs to be connected. If everything is connected, you can match demand to supply. So we need a lot of digital infrastructure to just make the energy transition happen.

**Matthijs van Leijenhorst:** I've got one more question on the sustainable part of the equation. It's a bit of a technical one. What are you doing to optimize cooling in data centers, etc.?

**Jikke op de Weegh:** All kinds of different things. I think it's the same like Jeroen and Chris just were saying. We are totally modernizing the network. So also, we are modernizing our buildings. We used to have very big buildings with very big rooms with a lot of surface inside, and everything is getting really small. So when we had a whole building, now we only use one room, so you have to cool only one room. So it's optimizing buildings, makes them much and much smaller on one hand. See if we can use free cooling instead of cooling that uses energy. And we recently moved up the temperature. So we always were on very low temperatures to make sure everything kept working. But also due to some regulation, we put up the temperature, and everything is still working. And that is also saving a lot of energy, of course.

**Chris Figuee:** Yeah, I was actually in a data center this week. There's a video posted online today on LinkedIn where we do three things. We consolidate data centers, so we consolidate centers and inside the data centers as well. As Jikke said, we increase the temperature, and we use more advanced cooling systems, the cold cubes. It's a funny thing, you walk through a cold cube, which is a closed environment where you keep the temperature lower, but that requires you to cool only that part of the building, not the rest. So it's smarter focusing of your cooling efforts.

**Matthijs van Leijenhorst:** Okay. Thank you. Let's shift gears towards the responsible part. One of your short-term incentives is related to NPS, and you flagged that one during the Q3 results. It's a bit under pressure, both at B2C and B2B. What are your plans to improve?

**Chris Fige:** Yeah, well, NPS, we had a high ambition. If you look at the NPS during the year, it is actually, on the good side, still industry best in telco, and it is effectively stable. So it hovers at around 16% for the consumer markets, 4-5% for business markets. So it's stable and better than most of our peers. We had hoped for a further increase in NPS. So we're semi-okay with the number. It's good that we're still best in class. It's not good that we didn't reach our goals. I think it has to do partly with the general consumer sentiment. So that's part outside of our domain. What we want to do and need to do better is focus, of course, on quality, make sure that the customer experience is fully, fully seamless. We need to think a bit more about value for money. We find that customers are being a little bit more value oriented in these days, so to make sure we do more in terms of convergence for our customers who will have new solutions in the next year. Provide more additional loyalty programs for long-term consumers, spanning mobile and fixed, but also content and streaming, having those together, and make sure that delivery of our product to our customers actually is seamless.

So, my summary is we're doing fine. I would love to have done better, but we're doing fine. Fine is not always good enough, so there is work to be done. The work to be done is around the value for money perception, loyalty perception of customers, and make sure that the delivery journey is completely seamless.

**Matthijs van Leijenhorst:** Thank you. One other question from the audience related to responsible. How does your CLA addresses living wage policies, risks, actions, and wage transparency?

**Chris Fige:** I think we have a CLA that's pretty clear on the wage levels. What we do is a few things. We differentiate it more by level. So our average CLA this year was 5, 5.5%. Well, actually, that makes 7-8% for the lower earners and 3% for the higher earners. So we definitely make it asymmetrical around the average, so to speak, to make sure we compensate the lower earners who have been hit hardest by inflation. That's important.

Secondly, we offer much more elements that give flexibility to our staff. So especially when it comes to short-term incentives, you can use them to cash out, you can use them to build up your pension, you can use them to pay off your student debt. So I think the two most important things, one is of course, we always benchmark our own salary levels, to make sure we pay the right wages and we're competitive. Secondly, we make sure that the increase is tilted towards those that needed it most. And thirdly, we aim to provide maximum flexibility to our staff to do with the money they earn as they see fit.

**Matthijs van Leijenhorst:** Okay. One final from the audience on responsible. You mentioned human rights during the presentation. How does KPN assess the human rights?

**Chris Fige:** Well, we have a Human Rights Policy and a Human Rights Board, chaired by Wouter, who is our head of our networks. So we do assess, of course, human rights inside KPN. We do assess them with strict policies in agreement with our suppliers, those we control directly. So we have clear policies and guidance and regulations. And we do also our own inspections. So especially in the area of fiber, where people, our workers are out on the street, we do our own random inspections to test, is there legal, illegal labor, what are working conditions, etc.

So we have a clear protocol with all suppliers. And we do random, unannounced checks on what they do. Those are the companies that are basically inside our control, the companies that we contract. And for companies outside that we use, obviously, we're together with other telcos in the JAC, the Joint Alliance Corporation, where we work together to deal with other parties in the value chain, deeper in the value chain that it's hard for KPN to reach on your own, but we work together with other telcos. Maybe, Jeroen, you can say something about the JAC?

**Jeroen Cox:** Yeah, so the JAC represents over half of the industry. And the advantage is that not only also for the local factory, that they only get audited once on behalf of all the telcos. So in that way, it's also more efficient for factories. And we have been doing that for a very long time already, and it's a division of allocation of tasks. And we have external auditors to visit those factories, and then report. Then the telcos will look at the outstandings, and they need to be followed up within the year. In that way, we look at human rights in those factories, like speak-up rights and rights to organize yourself, etc.

**Matthijs van Leijenhorst:** Thank you. The final one on responsible. Given the geopolitical tensions across the globe, cybersecurity is a hot topic. So how is KPN? Could you give some more color on how KPN is addressing cybersecurity?

**Chris Figgie:** Sure. Cybersecurity is, of course, of utmost importance to KPN. We run vital infrastructure, vital networks in the Netherlands for our clients. We have a few things I'd like to say. We've got, of course, a very sophisticated, elaborate security department. Our CISO reports in writing to the board every week on two things. One is progress on network security, hardening, patching, and progress on how we protect our network, and the report on trends and issues that play in the industry, report back every week. Four to six times a year, we have actively discussed in the Board of Management, where we do a deep dive. At least two times a year discussed in our Supervisory Board on those elements. Basically, it's about the protection and the integrity of the network. It's about the threat landscape and how that's evolving. And for the latter part, we work together with other stakeholders, we work together with peers, peer companies in the Netherlands, and with the government and with the services as well to identify developments in the threat landscape.

So it's twofold. It's one is to make sure that the network is completely hardened, and that there is sufficient protection. And in the case of an issue, there is event management policies as well, and we test them. We have our own red team, friendly hackers' team that works for clients and works for KPN as well. They try to enter KPN as well. And then we have a fairly elaborate scheme to scrutinize and scan the threat landscape. We do it ourselves and in conjunction also with the government and other service providers to make sure we're fully prepared against anything. And it's important because this is both for KPN and for our customers. It's vital that our network is fully stable. But cybersecurity is one of the most important topics that we discuss as a Board these days.

**Matthijs van Leijenhorst:** Yeah, during the presentation, you also showed that already more than 60% of your SME customers already picked an extra secure Internet feature.

**Chris Figue:** We have Extra Veiling Internet, Extra Safe Internet, which is a feature on our KPN1 products. Very simple to click on. It's relatively cheap. Most of our customers have it. And you could expect also for our retail customers next year, a series of new security additions, mostly very low priced or free of charge, to support them in security and make sure that if you're at KPN, you have this extra safe feature clicked on, for example, to make sure your connection is safe where your data is stored.

We mentioned the product Safely Work from Home. We jokingly say, KPN, we've got 10,000 employees. We don't have five offices. We effectively have 10,000 offices because everybody works from home a few days a week. So we wanted to make sure that everybody works from home safely, and we have a product that allows fully safe remote working. So your remote working option is as safe as if you work in the office. It allows you not only to steer traffic through networks, even steer traffic through your own personal network, but also make sure that when you log in to your corporate client's access, you're as safe at home as when you're in the office. It's quite an innovative product that allows us to build on the using of our Internet Exchange, NL-ix, and their product embedded into a workspace solution.

**Matthijs van Leijenhorst:** Yeah, regarding NL-ix, you mentioned this partnership with Nokia, right? It's quite unique.

**Chris Figue:** Yeah, technically, it's way beyond unique what I understand. But it's a partnership between Nokia's Deepfield solution and NL-ix to provide an anti-DDoS solution that's very effective, but by using NL-ix, it has relatively light bearing on someone's network. So it has all the components of a deeply secure DDoS protection, but it doesn't block you from working effectively because it works through our NL-ix Internet Exchange.

I think the NL-ix is one of the most underrated jewels in KPN's crown. We run one of the largest internet exchanges in the world, in the Netherlands, that enables us to provide corporate lines with seamless access, but also builds these type of solutions in a very light way.

**Matthijs van Leijenhorst:** Interesting. Thank you. And the final pillar, yeah, I changed the order a little bit, but inclusion. It's one question from the audience. If I look at your employee engagement, it's already quite lofty, but you actually wanted to improve it further to 85%. What are the steps? How do you think you're going to achieve that?

**Chris Figue:** We want to do it by listening to our staff. It's fairly high. It's not easy to increase it. It's about making sure that stress levels are reduced. People do work pretty hard at KPN, and sometimes we see stress levels increase. So it's about reducing the amount of stress levels, giving our staff flexibility to work anywhere and everywhere they want. We'd love people to come to the office and engage more together, but we also want to provide them some flexibility to mix work and life balance. And then in terms of compensation, give them also flexibility to choose how they want to spend their hard-earned money, so those three combinations. But I think especially reduction of stress levels and flexibility around working hours are to me key themes to elevate that engagement level even more.

And finally, of course, engagement is high if people are engaged with the strategy of the business. So being a company that is at the heart of society, that does something good, that people are proud to work for, also helps. So that's why these discussions we do take with our staff, we take their input seriously to make sure that the network of the Netherlands is also perceived by them as something they want to work for. And that should also help increase engagement.

**Jikke op de Weegh:** And in addition to that, I think especially it's the part of being very proud to work for KPN. And I think also the Better Internet Campaign and all our ESG values will help people to be very proud of working for KPN and show a larger engagement to the company, hopefully. So I think the ESG Manifesto and everything we do on it, hopefully helps to engage everyone to KPN.

**Chris Figue:** Let's talk about the MEAU campaign, right? There was a hefty discussion where we would launch the campaign because it could have gone all the other way around. People could have said, 'Look, KPN, why are you bothering with the content of the internet? Just provide connectivity and then shut up.' So we had a long discussion as a Board whether we wanted to do it. And in the end, we said, look, this is important enough to almost take the risk and go deep and just do it.

But this does more for engagement than anything else. We've had so many positive feedback from our own staff when we showed this video to our own people. We had townhalls at KPN. We discussed it with our own teams, and people forwarded it to their clients, or to their kids, to their friends and family. Having those videos and showing that as a company you care, and you're willing to invest into something that doesn't really immediately benefit you, but it's important to you, does a lot for engagement.

As Jikke said, I think the MEAU campaign and how we showed some guts to invest in this message, did a lot for engagement and the pride of people for working for KPN.

**Matthijs van Leijenhorst:** Interesting. One more on inclusion. Obviously, one of your key pillars of your strategy is rolling out fiber. But if you look at the pillar inclusion, you're actually targeting 80% of the country. So what are your plans regarding the remaining 20%?

**Chris Figue:** Well, look, in the end, we want to connect everybody in the Netherlands to a sustainable future, so there will be a solution for the next 20%. You've got to give us a bit of time. The first step is to reach the 80%, and then we'll look at the rest. Obviously, the remaining part is going to be more difficult. You'll find more remote locations. There might be others who already have a fiber network in that place. So in the end, we believe it will be a combination of continued roll out, maybe partnership with others, or fixed wireless or hybrid solutions. And hybrid meaning fixed wireless combined with existing copper connectivity. We find that hybrid solutions actually could be superior to fixed wireless. In those combinations, we'll cover the remaining 20%. But in the end, you can only do one thing at a time. So step one, get to 80%. Step two, look beyond.

**Jikke op de Weegh:** Can I add also one thing to that part? You just were mentioning the stakeholder dialogues, and we had a very lovely one yesterday, saying how social is digital. And it's not just connecting everyone in the Netherlands so everybody will have a network and will have their fiber connection, but then there is also a very big thing of really connecting people in a digital way.

So there will be a group of people who cannot pace up with all the digital things we ask from them. They just don't understand what to do. There's a whole group of young kids we just exposed to the internet, but they really don't know how to handle. So I think by connecting, that's the fiber part, to the sustainable future, that's really making sure everyone is capable of using the internet.

**Matthijs van Leijenhorst:** How do you make sure that everybody is capable of using the internet?

**Jikke op de Weegh:** I think that is quite difficult, but we are really looking in a lot of programs, how we can protect children. Of course, that was one of the things we did with the campaign with MEAU, and it was only the first step. We can do much more to educate people, and I also think we can educate parents. And yesterday, I heard some very nice initiatives that are a lot of – this was particularly in the City of Rotterdam, but there are a lot of initiatives, people helping each other, making sure you can find your way on the internet. So I think we can think as KPN to make sure everybody can use it to help organizations who try things to do like this. So we make sure that's not just the internet, that we also look at the human-centric part to the internet and the digital world.

**Matthijs van Leijenhorst:** Thank you. For the sake of time, we only have two questions left. One is a more general question on the DMA, or Double Materiality Assessment. Could you tell how KPN's DMA was conducted, and how were stakeholders involved?

**Chris Figue:** Yeah, I'll say a few words. I think you guys can complement. So we do have expert stakeholder discussions on these topics, so we went through all the topics with stakeholders, both in a structured questionnaire and in dialogues and debates. And then we reviewed as well in the Board to say, do the outcomes actually make sense? So we had stakeholders from various parts of society giving input. But, Jikke, I think you can say a bit more about it.

**Jikke op de Weegh:** Yes. So by interviewing a lot of people, we just had the outcome of the DMA. And I think it's not just having a DMA, it's more looking further in the future. So next to that, we are also discussing with experts all the time. We even had a transformation program over the past year, where a group of employees of KPN went in discussions with all kinds of different experts on all kinds of topics to make sure that it's not just a double materiality saying circularity, but what needs to be done that's in the DMA.

I think the much more and bigger question is 'how' can we change things, and how can we have metrics so we can really steer on it? And do we have all the data available? So with a whole group of people, we just dived into, I think, more the 'how' part. How can we really activate and make it work, what we report in the DMA, that we're also working on it and can show our progress.

**Jeroen Cox:** And in addition, sometimes we also identify themes that are not in the DMA, but we still feel that can be emergent. And we will report on project progress on them. Biodiversity is one of those examples; not yet included in DMA, maybe in the future, but not at this stage. But we are starting to define impact on biodiversity, both within the country as well as in the value chain, and that way try to build pressure points regardless of whether it's in the DMA or not. And with focus of course, but still, we also do things that we feel that are important to the company.

**Chris Fige:** Yeah, I think the point is DMA for a telecoms company, you can write one probably on a rainy Sunday afternoon. It's not that hard to identify the topics. But the value is in the process. If you want us to make a DMA, you can draft a DMA. But the value of constructing it together with stakeholders and getting the color, the details, is actually much more important, and as Jikke said, discussion. Okay, you raised a point on cyber, which will be in our DMA. So what does cyber mean? What is it? What do you mean exactly by cyber, and how could you address it, and which types of cyber?

So to me, the value of the process should never be underestimated. And then the value of the stuff that just falls out – and Jeroen talked about the biodiversity. Formally speaking, biodiversity did not make it to the DMA, but still we said as a Board, we think it's still important. We still want to do this because we own so many technical buildings, so much equipment. It would be really weird if we would not do anything with biodiversity because it did not make it to the final part of the DMA list.

So it's about the process of constructing it, the richness you get in those discussions, discussion what do you exactly mean and dive one or two levels deeper on how, whether you want to address it. And also discussing, what's the stuff that just fell off the cart and whether you still want to do something about it as management. So don't be too dogmatic about the DMA.

**Matthijs van Leijenhorst:** Thank you. Well, actually, the last question was related to biodiversity. So we need to wrap up. Thank you very much for your presentation and the Q&A. And in case of any questions from the audience, please reach out to the IR team. Thank you.

[END OF TRANSCRIPT]