KPN Remuneration Policy 2024

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Remuneration Policy

Introduction

The objective of KPN's remuneration policy for the Board of Management is to attract, reward and retain the necessary leadership talent, in order to support the execution of the company's strategic objectives. The objective of KPN's remuneration policy for the Supervisory Board is to reward the members appropriately for their work based on market competitive fee levels.

Our focus is on creating long-term value for all stakeholders, and building an organization which is fit for our future ambitions, by:

1. Connecting with our customers to deliver on their needs;
2. Activating our best network, platforms, partners & assets; and
3. Growing sustainably by modernizing and simplifying our business.

Considering KPN's core values "Courage, Trust, Growth", which form the essence of our organizational culture and being aware of the public debate surrounding the topic of executive remuneration and our role in Dutch society, we strive to balance our core values and the interest of all stakeholders in our remuneration programs.

Governance

KPN's General Meeting of Shareholders sets the remuneration policy for members of the Board of Management and the Supervisory Board, based on a proposal by the Supervisory Board. Within the Supervisory Board, the Remuneration Committee prepares decisions for the full Supervisory Board on both the remuneration policy and the application thereof in individual situations.

Annually, the Remuneration Committee drafts a report on the application of the remuneration policy and the individual remuneration of members of the Board of Management and the Supervisory Board in the previous year. This report is submitted to the General Meeting of Shareholders for an advisory vote. The Remuneration Committee regularly discusses and reviews the remuneration policy in light of relevant developments in the company's strategy and organization, legislation, or stakeholder considerations. If deemed necessary, the Remuneration Committee will propose changes to the Supervisory Board, for final submission to the General Meeting of Shareholders.

The remuneration policy will be submitted for shareholders' approval at least once every four years. Prior to submitting the remuneration policy or an amendment to the policy to the General Meeting of Shareholders, the Remuneration Committee collects the input of various stakeholders and requests the advice of the Central Works Council.

Proposals to adjust the remuneration policy will include a description of the most important changes and will describe how stakeholder views have been taken into consideration.

The remuneration policy (including the date thereof and the voting results) will be made available on the company's website.

The remuneration policy was last amended by the General Meeting of Shareholders in April 2020 and is therefore submitted for approval to the 2024 AGM. The following amendments are proposed:

- Regarding the Board of Management remuneration policy, an amendment is proposed on the financial targets section of the LTI structure by changing the weight of relative Total Shareholder Return (TSR) from 25% to 30%, the weight of cumulative Free Cash Flow (FCF) from 45% to 20% and by adding ROCE (Return on Capital Employed) with a weight of 20% as a third financial target. An LTI structure with TSR, FCF and ROCE strikes the right balance between Shareholder value-creation, Free Cash Flow generation for future investments and Capex discipline;
- Regarding the Board of Management remuneration policy, the Supervisory Board proposes to introduce the possibility to include a buy-out provision in contracts, if it deems this necessary to attract external candidates for a potential appointment to the Board of Management. This provision will only be offered under exceptional circumstances within the initial year of their tenure with the company and as much as possible on a 'like-for-like' basis and in line with KPN's remuneration policy principles;
- The peer group, used to benchmark the pay levels for members of the Board of Management, has been updated to best reflect the company's current position and peers;
- Regarding the Supervisory Board remuneration policy, the Supervisory Board is proposing revisions to the Supervisory Board fee levels for the first time since 2011. In evaluating this proposal, the Supervisory Board has considered, among other things, fee structures from the peer group within the employment market and the development of general CLA increases, as significant points of reference;
- In all other substantial aspects, the proposed remuneration policy mirrors the policy ratified during the General Meetings of Shareholders in April 2020.

The company's remuneration policy is compliant with, and in addition to, relevant legal requirements and the principles of the Dutch Corporate Governance Code and the Dutch and European legislation. In the event of changes to binding national and/or international legislation that directly impact the remuneration policy, such changes will be deemed incorporated into this policy.

Stakeholder engagement

KPN values the views of different stakeholders on its remuneration policy and takes such views into consideration in its deliberations and decision making. In the preparation of the review of the current remuneration policy and the subsequent update leading to the proposed policy, KPN engaged with several stakeholders, including shareholder representatives, proxy advisory firms, external remuneration advisors, the Central Works Council and the members of the Board of Management and Supervisory Board. As the views of these stakeholders may not always be completely aligned, the Supervisory Board strives to find the right balance between the various interests. We believe the current remuneration policy has found such balance, also considering the focus of the short- and long-term incentive plans on both financial- and non-financial targets for the Board of Management, supporting our license to operate and emphasizing the strategic direction to deliver sustainable long-term business performance.

The Central Works Council was asked to advise on the proposed adjustments to the remuneration policy (for details of the advice see company's website). The Central Works Council supports the proposed adjustments to the remuneration policy. Following the Central Works Council's advice, KPN has strengthened the wording of the buy-out clause in order to maximally safeguard a proper, well documented and restrictive use of such an instrument, in the event this instrument will be used.

KPN appreciates the advice and input provided by the Central Works Council and will continue to conduct a constructive dialogue regarding the underlying principles of the remuneration policy and any anticipated adjustments that might be considered in due course, also taking into account the views of other relevant stakeholders and market developments.

Remuneration of the Board of Management

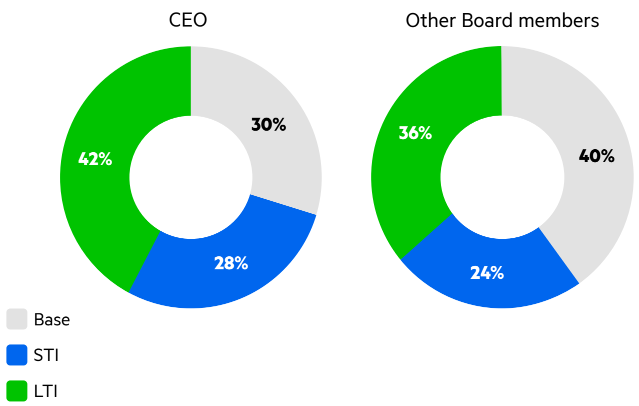
The main principles of KPN's remuneration policy as described below are based on a balanced approach between market competitive standards, the ratio between fixed and variable pay and the economic and ESG contribution of the company:

- Paying at market-competitive level (considering all fixed- and variable components of the remuneration policy), achieved through benchmarking against an employment market peer group;
- Paying-for-performance by driving financial and non-financial performance that generates long-term sustainable and profitable growth. The target remuneration is aiming at 30-40% of pay in base salary and 60-70% in variable pay in order to maintain a strong alignment with the company's financial and commercial goals and long-term value creation strategy;
- Differentiating through alignment of the pay with the responsibilities, required competence and performance of individual jobholders while taking into account the shared responsibility of the Board of Management members in order to support the execution of the company's strategic objectives;
- Balancing all stakeholder interests, including the views of shareholders by complying with best practices in corporate governance, defining targets for the variable pay plans based on financial- and non-financial targets and a transparent and clear remuneration policy.

The Supervisory Board uses, most notably when reviewing the remuneration policy, scenario analyses to understand the possible outcomes of the remuneration policy, considering factors such as the maximum pay-out of the short-term and long-term variable remuneration in case of stretched performance. In its review of the remuneration policy, the Supervisory Board also considers the overall level of pay and pay differentials within the company.

The ratio between fixed and variable pay (pay mix)

The following pie charts represent the pay mix for both the CEO and the other members of the Board of Management in case of 'on-target' performance and reflect the underlying pay-for-performance principles and market-competitive reference of our remuneration policy.



Pay ratio

KPN takes into account the internal pay ratio when formulating the remuneration policy. KPN applies a methodology to calculate the internal pay ratio that is IFRS-driven. KPN's internal pay ratio is calculated as the total CEO compensation divided by the average employee compensation (total personnel expenses for KPN employees divided by the average number of KPN FTEs). A pay ratio of around 35, for an on-target performance, is considered to be a reasonable reference within the bandwidth (15 where no variable compensation is paid and 55 where variable compensation is paid at the maximum level).

Employment market peer group

The employment market peer group is used as a reference to evaluate the overall market-competitiveness of the pay levels for the members of the Board of Management and is regularly reviewed by the Supervisory Board to ensure that its composition is still appropriate. The employment market peer group consists of Dutch-listed and European sector-specific companies, based on a mixed set of criteria like Market Capitalization, Revenue, Employees, Total Assets or Strategic Importance.

Its composition may be adjusted as a result of mergers or other corporate activities. The following table shows the composition of KPN's employment market peer group:

Companies	
Randstad	Telecom Austria
Signify	Proximus
ASM	Telenor
IMCD	Telia Company
Philips	Telecom Italia
DSM-Firmenich	Swisscom
AkzoNobel	British Telecom

Base salary

The base salaries are set at a market-competitive level taking into account the individual responsibilities, relevant experience and required competences in line with the remuneration principles. Each year, the Supervisory Board reviews the base salaries and decides whether circumstances require and justify adjustments. In considering base salary increases for members of the Board of Management, the development of general CLA increases for KPN employees and general movements or individual positioning in annual base salaries of the employment-market peer group will be used as an important reference.

Short-term incentives (STI)

General

The STI plan aims to ensure that the Board of Management is well incentivized to achieve company performance targets in the shorter term. At the beginning of each year, the Supervisory Board sets financial and non-financial target ranges for the Board of Management, based on the company's business plan.

At the end of the year, the Supervisory Board reviews the company's performance against the target ranges. Members of the Board of Management are eligible for an annual cash incentive only if company performance is at or above the predetermined ranges (i.e. threshold level). The CEO can earn an on-target STI of 90% of base salary, with the maximum incentive pay-out capped at 135% of base salary (i.e. 150% of the on-target level). For the other members of the Board of Management the on-target STI is equal to 60% of base salary, with the maximum incentive pay-out capped at 90% of base salary (i.e. 150% of the on-target level). Any STI payments, after deduction of taxes, are paid for a maximum of 50% in shares if the share ownership guideline levels have not yet been reached.

Financial targets (70% weighting)

The Supervisory Board selects each year a maximum of three financial performance measures and determines their relative weightings.

To support the company's strategic objective to deliver long-term sustainable growth, such performance measures are typically:

- Profit-related (such as EBITDA-AL);
- Cash-related (such as Free Cash Flow); and/or
- Revenue-related (such as total revenue or service revenue).

Performance against these targets is measured based on the company's financial records, as audited by the external auditor.

Non-financial targets (30% weighting)

The Supervisory Board selects each year a maximum of three non-financial performance measures and determines their relative weightings. To support our strategic focus on creating sustainable customer value, being a human tech company where our employees make the difference and regaining/retaining market share in a highly competitive Dutch Telco environment, such performance measures are typically:

- Environmental, Social and Governance (ESG)-related;
- Customer-related (such as customer satisfaction, customer loyalty);
- Employee-related (such as employee engagement); and/or
- Market share-related (such as customer base).

Performance against these targets is measured using internal and external survey- and benchmark data. A circuit breaker is applicable as a minimum requirement for payout of the STI non-financial targets. If this minimum requirement is not achieved, the non-financial targets of the STI will not generate a payout. The Supervisory Board selects a specific target each year as circuit breaker.

In its remuneration report, the Supervisory Board will provide an explanation of which financial- and non-financial targets it has selected for each year (including the weightings), and how performance on these targets will be measured. In the event targets are selected whereby the disclosure of specific details would require providing commercially or otherwise sensitive information, the specific details of the targets may not be disclosed. In those cases, the company will strive to provide alternative information to help understand the outcome of the STI.

Performance incentive zone

The target ranges for measuring performance comprise:

- A 'threshold' performance level at which the minimum incentive of 25% of the on-target level is paid. Performance below this threshold level is not generating a payout;
- An 'on-target' performance level at which the 'on-target' incentive is paid; and
- A 'stretch' performance level at which the maximum incentive is paid (i.e. 150% of the on-target level).

The payout methodology is based on a separate payout for each of the financial and non-financial targets and a linear calculation approach for performance between the incentive zones.

Special circumstances & claw-back

The Supervisory Board has the discretionary authority not to award or to recover variable pay awarded on the basis of incorrect financial or other data. Discretion can be applied by the Supervisory Board if the outcome of the STI plan would produce an unfair result or if the outcome would not be considered to reflect KPN's remuneration principles. In its remuneration report, the Supervisory Board will explain if, why and how it has made use of its discretion.

Short-term incentive (STI) plan at a glance

Form of compensation	• Cash • Possible payout of maximum 50% in shares, if share ownership guideline levels have not yet been reached
Value determination (on-target level)	• CEO: 90% of base salary • Other members Board of Management: 60% of base salary
Targets	Targets Financial targets (70% weighting): • Profit-related • Cash-related • Revenue-related Non-financial targets (30% weighting): • Environmental, Social, Governance (ESG)-related • Customer-related • Employee-related • Market share-related Separate payout for each of the financial and non-financial targets (linear calculation for performance between the incentive zones). Circuit breaker applicable for payout non-financial targets
Scenario at or below threshold performance	• Performance below threshold level: no payout • Performance at threshold level: 25% of on-target incentive paid
Scenario on-target performance	• 100% of the on-target incentive paid
Scenario maximum performance	• 150% of the 'on-target' incentive paid - CEO: 135% of base salary - Other members of the Board of Management: 90% of base salary

Long-term incentives (LTI)

General
Members of the Board of Management are eligible for an equity-based incentive under the company's long-term incentive plan (LTI). The LTI aims to ensure that the interests of the members of the Board of Management are aligned with those of its long-term shareholders and to provide an incentive for members of the Board of Management to continue their employment relationship with the company. KPN's LTI plan consists of performance shares only, which are conditionally granted each year.

The on-target value is based on a percentage of annual base salary and used as the reference to determine the number of conditional shares at the grant date. For the CEO, this value is set at 135% of annual base salary (with deferred dividend payment), with a maximum percentage of 270% (i.e. 200% of the on-target value). For the other members of the Board of Management this value is set at 90% of annual base salary (with deferred dividend payment), with a maximum percentage of 180% (i.e. 200% of the on-target value). The number of conditional shares at the grant date is calculated based on the on-target value and the average share price of the first quarter of the performance year. Vesting of the granted shares is conditional on the achievement of financial- and non-financial targets which are measured over a period of three years.

Financial targets (70% weighting)
The financial targets are relative Total Shareholder Return (TSR, 30% weighting) measured against the STOXX Europe 600 Telecommunications index, Return on Capital Employed (ROCE, 20% weighting) and cumulative Free Cash Flow (FCF, 20% weighting). The use of an index reference for TSR aims to ensure that performance is measured against relevant peers, and that the peer group is automatically adjusted in case of changes in this group. The relative TSR performance provides a relative performance measure with transparent measurement criteria and links back directly to shareholder value creation in comparison to our peers, while ROCE and the cumulative Free Cash Flow performance measures support the company's aim for sustainable growth of adjusted EBITDA-AL, Free Cash Flow and providing sound capital returns during the three-year vesting period.

Non-financial targets (30% weighting)
The non-financial targets are selected from a basket of targets at the start of a new plan. The Supervisory Board believes this enables incentivization of the Board of Management to focus on the topics that the Supervisory Board considers most relevant at that moment based on developments and expectations in the market and in society. The basket consists of the following strategic categories:
- Environmental, Social, Governance (ESG) - (e.g. energy reduction, circularity, employee engagement, diversity);
- Reputation (e.g. based on Reputation Institute benchmark data); and/or
- Market share (e.g. fixed-mobile convergence, new business).

In its remuneration report, the Supervisory Board will explain which targets it has selected for each year, and how performance on these targets will be measured. To prevent a large number of non-financial targets, the Supervisory Board selects a maximum of two targets per year and aims to limit the total number of different non-financial targets in three parallel plans to four.

Performance incentive zone
The target ranges for vesting of the LTI plan comprise:
- A 'threshold' performance level at which shares vest at the minimum level i.e. 25% vesting for all targets other than TSR; and 75% vesting for the TSR target. Performance below this threshold level does not generate any vesting;
- An 'on-target' performance level at which shares vest at the on-target level; and
- A 'stretch' performance level at which shares vest at the maximum level (200% of on-target level, 1st position in TSR peer group and maximum performance on other financial and non-financial targets).

The vesting methodology is based on a separate vesting for each of the financial and non-financial targets and a linear calculation approach for performance between the performance incentive zones. In deviation thereof, performance on the target of Relative Total Shareholder Return (TSR) is measured against the individual constituents of the STOXX Europe 600 Telecommunications index, using three-month average TSR performance around the start and end of the measurement period. TSR analyses are conducted by an independent external advisor and take into account both share price appreciation as well as paid out dividends over the measurement period. The threshold vesting for the TSR performance is set at the 50th percentile of the peer group, at which level 75% of the on-target performance level will vest. Free Cash Flow performance is measured based on the company's financial records, as audited by the external auditor. Return on Capital Employed (ROCE) is measured based on the company's financial records, as audited by the external auditor. The ROCE figure will be normalized, for the purpose of determining the LTI realization of the applicable plan period, in case any acquired or divested company during the plan period had an impact of >+0.1% or >-0.1% on the ROCE of KPN Group at acquisition date. The performance on the non-financial targets is measured by using internal and external survey- and benchmark data.

In its remuneration report, the Supervisory Board will explain which (non-financial) targets it has selected for each year, and how performance on these targets will be measured. In the event targets are selected whereby the disclosure of specific details requires providing commercially or otherwise sensitive information, the specific details of the targets may not be disclosed. In those cases, the company will strive to provide alternative information to help understand the outcome of the LTI.

Holding period
The holding period for shares received under the LTI plan is three years after vesting and will continue to apply after the end of the tenure of the member of the Board of Management. An exception to this rule is made for shares that are sold at the vesting date to cover income tax obligations in relation to the vested shares. The value taxed as income typically equals the number of shares vested multiplied by the share price at the time of vesting.

Special circumstances & claw-back
The Supervisory Board has the discretionary authority not to award or to recover variable pay awarded on the basis of incorrect financial or other data. Discretion can be applied by the Supervisory Board if the outcome of the LTI plan would produce an unfair result or if the outcome would not be considered to reflect KPN's remuneration principles. In its remuneration report, the Supervisory Board will explain if, why and how it has made use of its discretion. The Supervisory Board may amend the granted number of shares prior to vesting to maintain the same economic value in case of specific circumstances, such as a share split/merger, a repayment on shares, an issuance of shares, a rights issue and a merger/demerger without a change of control.

The conditionally granted (i.e. not yet vested) shares expire at the time of earlier termination of the agreement, unless the agreement is terminated due to disability, death, retirement or through no fault of the member of the Board of Management (subject to the sole discretion of the Supervisory Board), in which case 1/36 part of the grant is maintained for every calendar month that the agreement lasted, counting from the grant date, and remains subject to the conditions for vesting.

The LTI plan rules contain a change of control clause, which provides for immediate vesting at 100% (irrespective of the actual performance) and lifting of the holding period, to enable the members of the Board of Management to dispose of their shares in the situation of a change of control. The immediate vesting at 100% will be pro rata for the time passed in the plan during the vesting period of three years (i.e. 1/3 in year one, 2/3 in year two, full in year three).

Long-term incentive (LTI) plan at a glance

Form of compensation	Shares
Value determination (on-target value) for granted shares	• CEO: 135% of base salary • Other members of the Board of Management: 90% of base salary Number of shares based on the average share price of the first quarter of the performance year
Targets	Targets Financial targets (70% weighting): • 30% based on relative TSR measured against the STOXX Europe 600 Telecommunications index • 20% based on ROCE • 20% based on cumulative Free Cash Flow Non-financial targets (30% weighting), determined by the Supervisory Board from the following categories: • Environmental, Social, Governance (ESG) • Reputation • Market share The Supervisory Board can select up to two targets per year, but not more than four similar in parallel plans Separate vesting for each of the financial and non-financial targets will be applicable with a linear calculation for performance between the incentive zones
Scenario at or below threshold performance	• Performance below threshold level: no vesting • Performance at threshold level financial- and non-financial targets other than TSR: 25% vesting • Performance at 50th percentile TSR peer group (threshold level): 75% vesting
Scenario on-target performance	• 100% of granted shares vest based on KPN's relative position in the TSR peer group (linear calculation between 50th percentile and maximum position peer group) and 'on target' performance of financial and non-financial targets
Scenario maximum performance	• 200% of granted shares vest based on 1st position in TSR peer group and maximum performance of financial- and non-financial targets
Holding period	• 3 years after vesting

Benefits and other arrangements

Pensions
Members of the Board of Management are eligible for a defined contribution pension plan with a pension contribution based on the fiscal defined contribution table that corresponds to a retirement age of 68, an annual accrual rate of 1.875% and a pension accrual capped at the applicable (fiscal) salary level set per annum. Members of the Board of Management receive in addition a fixed gross pension allowance for the annual base salary above the capped (fiscal) salary level for pension accrual equal to the applicable pension contribution of the defined contribution pension plan.

At the moment of the KPN implementation of the anticipated Dutch Pension Reform (WTP), the pension arrangement for the members of the Board of Management will be aligned to the principles of the new legislation.

Other benefits
Other benefits (set on a case specific basis) such as life insurance coverage, expense allowances, medical- and housing allowances and company car provisions shall be in line with the market practice of similar companies.

Terms of employment
Members of the Board of Management have a fixed-term agreement. Members of the Board are appointed for a period of four years (until the first AGM after completion of such period), which is in line with the requirements of the Dutch Corporate Governance Code. Resignation by a member of the Board of Management is subject to a notice period of 4 months. A notice period of 6 months applies in the event of termination by the company.

Share ownership guidelines
Members of the Board of Management are encouraged to acquire company shares equal to 250% of base salary for the CEO and 150% of base salary for the other members of the Board of Management. Retained vested shares as part of the LTI plan will be included in the share ownership guideline. The share ownership levels should be achieved within approximately 5 years from first appointment to the Board of Management. To further stimulate reaching the anticipated share ownership levels, the STI is paid out, after deduction of taxes, for maximum 50% in shares if the share ownership guideline levels have not yet been reached.

Severance arrangements
If the company gives notice of termination of the agreement, other than due to a compelling reason or serious culpability of the member of the Board of Management, the member of the Board of Management is entitled to a severance payment. The level of the severance payment is equal to one-year's base salary. The entitlement to a severance payment also exists if a member of the Board of Management terminates their agreement with the company as a consequence of change of control over the company, subject to specific conditions applicable thereto. No entitlement to a severance payment exists in the event the agreement ends at the end of its fixed term or in case of an ordinary termination by the member of the Board of Management.

Loans
KPN does not grant loans or guarantees to members of the Board of Management.

Buy-out
The Supervisory Board may agree to a buy-out arrangement in order to attract an external candidate to be appointed to the Board of Management. The arrangement can only be offered on an exceptional basis within the first year of joining the company, when this is in the long-term interest of KPN and there are circumstances that justify such an arrangement. Examples of these circumstances include, but are not limited to, loss of income by the candidate as a result of losing unvested variable compensation at their previous employer or losing the variable compensation opportunity of the current performance year at the previous employer. The buy-out will be offered as much as possible in a 'like-for-like' construction, whereby the principles of KPN's remuneration policy apply. Finally, KPN shares are the preferred instrument to cater for this instrument. Any buy-out arrangement will be disclosed in the remuneration report.

Remuneration of the Supervisory Board

To the extent applicable, the same principles as for the Board of Management remuneration policy apply to the Supervisory Board remuneration policy.

KPN has a fixed annual fee and annual committee membership fees for the members of the Supervisory Board. The employment market peer group as listed in this remuneration policy serves as a reference to determine market-competitive fee levels and any proposed adjustments. For the Chair and Vice Chair positions, only companies in the employment market peer group with a two-tier board structure are included.

The table shows the fixed annual fees and annual committee membership fees for Supervisory Board members.

The eligibility for committee fees will be limited to two committees (i.e. the two highest fees will be applicable).

The differences in the committee fee structure are primarily related to the fact that the time allocation will, on average, differ per committee,

in particular with regard to the preparation time and necessary internal and informal coordination.

Position	Position Annual fees (in EUR)
Chair Supervisory Board	€ 105.000
Vice-Chair of the Supervisory Board	€ 77.500
Member Supervisory Board	€ 62.500
Chair Audit Committee	€ 22.500
Member Audit Committee	€ 12.500
Chair ESG Committee	€ 12.500
Member ESG Committee	€ 10.000
Chair Remuneration Committee	€ 12.500
Member Remuneration Committee	€ 7.500
Chair Nominating & Corporate Governance Committee	€ 12.500
Member Nominating & Corporate Governance Committee	€ 7.500

Supervisory Board members do not receive any variable compensation and are not granted any shares as a form of pay.

KPN does not grant loans or guarantees to members of the Supervisory Board.