

CHAPTER 4 GOVERNANCE

I. MESSAGE FROM THE CHAIRMAN	33
II. REPORT OF THE SUPERVISORY BOARD	34
III. CORPORATE GOVERNANCE	41
IV. REMUNERATION REPORT	54
V. RISK MANAGEMENT	60

I. MESSAGE FROM THE CHAIRMAN

Dear Stakeholders,

The Supervisory Board is pleased to report that TNT took critical first steps in 2014 towards recovery, despite tough trading conditions. The company, under the leadership of its new management team, is executing a clear strategy to focus on its competitive advantages, operational excellence and shareholder value.

In particular, much emphasis in 2014 was placed on improving customer experience, as this is what will truly differentiate TNT from its peers. Continuously improving service is the starting point for the new strategy. To achieve this, the company is optimising its processes and investing in infrastructure and IT. More automation and standardisation will not only benefit customers, but also improve efficiency and reduce costs, another management priority.

The Supervisory Board worked very closely with management in 2014 to implement the necessary changes to turn the company around. Of course, there are still many challenges to overcome. Yet the Supervisory Board has every confidence in the strategy and in management's ability and commitment to improve performance and create a basis for sustainable profitable growth.

On behalf of the Supervisory Board, I would like to thank management and employees for their hard work in 2014 – it is their efforts that make *TNT - The People Network*. I would also like to thank our shareholders and other stakeholders for their continued commitment to our business.

Kind regards,



Antony Burgmans
Chairman of the Supervisory Board of TNT Express N.V.

II. REPORT OF THE SUPERVISORY BOARD

INTRODUCTION

In 2014, the Supervisory Board advised the Executive Board on strategic and operational processes, governance, corporate responsibility and developments. This report provides an overview of the events and challenges the Supervisory Board dealt with throughout the year.

SUPERVISION BY THE SUPERVISORY BOARD

Achievement of company goals

In 2014, TNT continued to operate under challenging trading conditions, which resulted in significant provisions and one-off charges. These challenges testified to the scale of transformation required, which the Supervisory Board acknowledged would not occur overnight. The Supervisory Board played a significant role in the evolution of *Outlook*, as well as the selection of the new management team and the development of the new organisational structure. The Supervisory Board is confident that *Outlook* will create a sustainable future for TNT and all its stakeholders, and provided the Executive Board with its full support.

Strategy and risks

During the year, the Supervisory Board together with the Executive Board discussed initiatives to reinforce the company's performance, synthesising the strategic features and processes. TNT's strategic agenda continued to evolve around the strength of the European Road Network, the large base of SMEs and its dedication to customer service. In February, the Supervisory Board decided to extend the dissolution date of its ad hoc Strategy Committee, from April to the end of 2014, to provide support to the Executive Board throughout the year in the further development of the strategy's key levers, which include IT transformation, service improvement, organisation transformation and the re-launch of TNT.

Risk management

In 2014, the Supervisory Board was informed regularly, promptly and comprehensively on risks and risk management. The outcome of TNT's risk management process, the risks identified and the mitigation plans were discussed in detail with the Audit Committee, and between the Supervisory Board and the Executive Board. The Supervisory Board strongly supports the allocation of risk ownership at Management Board level, facilitating the monitoring process and execution of action plans throughout the company. Refer to section V for more information on the risk management process and the strategic, operational, financial and compliance risks facing TNT.

Financial reporting

In 2014, members of the Supervisory Board received comprehensive financial reporting updates on a regular basis. This included the 2013 annual report with the consolidated financial statements, drawn up in accordance with IFRS; the proposal for a pro forma (interim) dividend from the distributable part of the shareholders' equity; the quarterly consolidated financial statements; PricewaterhouseCoopers (PwC)'s specified procedures report on TNT's half-yearly statements; PwC's hard close report; and PwC's year-end audit findings. The Audit Committee and Supervisory Board dealt extensively with these reports. The external auditor attended all meetings of the Audit Committee.

Compliance

The Supervisory Board believes in a strong compliance framework. It advocates a corporate culture that values integrity and commitment to external and internal rules and regulations as well as fair treatment of business partners, employees and other stakeholders. In 2014, the Supervisory Board was informed on compliance-related topics and ascertained the legality and proper conduct of management activities.

Investor relations

The Supervisory Board was updated on investor relations activities and investor sentiment at least every quarter. Following the publication of the (quarterly) results, the Supervisory Board was informed in writing on trading updates, share price developments, market reactions and enquiries by investors and analysts. Refer to chapter 6 for more information on TNT's investor relations activities.

Corporate responsibility

The Supervisory Board acknowledged the continued integration of corporate responsibility into TNT's overall business strategy and operations. The Supervisory Board considers corporate responsibility to be an essential condition for long-term success. In 2014, the Supervisory Board paid particular attention to safety. Regrettably, TNT, including subcontractors, was involved in 23 road traffic fatal accidents. This is a significant increase from the prior year (15). Together with management the Supervisory Board encourages the reduction in the number of incidents and accidents, and strives to gain more insight in the root cause of the accidents, to be able to take specific mitigating actions. Refer to chapter 3 for more information.

MEETINGS OF THE SUPERVISORY BOARD

In 2014, the Supervisory Board held six regular meetings and two ad hoc meetings. The Executive Board attended most of the meetings. Agenda items included: business performance and market developments; strategic, governance and regulatory updates; and corporate responsibility items. The ad hoc meetings took place in January to discuss the decision to retain Brazil Domestic and in September to discuss the trading update and the announcement of the settlement with the French Competition Authorities (FCA).

All members of the Supervisory Board attended nearly all Supervisory Board meetings (refer to page 38 for an attendance overview). Between meetings, the chairman of the Supervisory Board held frequent discussions with the CEO, both in person and by phone. The Executive Board kept the entire Supervisory Board informed of important developments on a regular basis.

In February, the main topics of discussion were the *Outlook* strategy, the 2013 annual results, including the fourth-quarter and full-year results, the year-end report by the external auditor (PwC) and the risk environment report. The Supervisory Board approved the 2013 annual report, the final 2013 dividend proposal, the agenda for the Annual General Meeting of Shareholders on 9 April 2014 and the infrastructure investments in Australia and in the hub in Liege, Belgium.

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

In July, the Supervisory Board discussed the half-year and second-quarter results as well as the outlook for the remainder of 2014. It also reviewed the progress of *Outlook* as well as the proposal for substantial investments in the European Road Network in the next few years. The Supervisory Board approved an investment in depot automation in Italy and the agenda for the Extraordinary General Meeting of Shareholders on 18 September 2014, where the appointment of Mr De Vries as CFO was proposed to shareholders.

In October, the third-quarter results as well as updates on the main parts of the business and service improvement were discussed. The Supervisory Board approved infrastructure investments in France and the United Kingdom. Other items discussed included updates on IT transformation, the hub in Liege, Belgium and the marketing campaign.

In December, the Supervisory Board discussed and approved the budget for 2015. Other topics discussed included: general business updates; the progress of *Outlook*; updates on customer service, IT transformation, organisation transformation, and safety; and planning for the Capital Markets Day. The Supervisory Board approved three IT outsourcing contracts.

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

COMMITTEES OF THE SUPERVISORY BOARD

The Supervisory Board has four committees: the Audit Committee, the Chairman's & Nominations Committee, the Remuneration Committee, and the Strategy Committee. These committees help prepare the Supervisory Board for its decision-making responsibility and provide advisory input. During 2014, each committee reported its findings and conclusions to the entire Supervisory Board on a regular basis, both verbally and in writing.

Audit Committee

The Audit Committee comprises three members and is chaired by Mr Levy. In 2014, the Audit Committee met five times, with all committee members present. All meetings were attended by the CFO, the director of internal audit, risk and control services, the director of financial reporting, consolidation & accounting and PwC.

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

In February, the Audit Committee discussed the 2013 annual results, the year-end report by PwC, the risk management process and the 2013 final dividend. Furthermore, it discussed the internal audit and internal control reports, TNT's business ethics programme and the letter of representation. Other topics discussed were the full-year claims and litigation report, updates on the divestment process of TNT Fashion, IT transformation, Brazil and on the financial impact of *Outlook*.

In April, the Audit Committee discussed the first-quarter results. Updates on internal audit, internal control, pensions, tax, the financial impact of *Outlook*, and the business principles were presented.

In July, the second-quarter and half-year results were discussed as well as updates on business ethics, export control, internal control, internal audit and risk management. PwC presented their half-year specified procedures report and the 2014 audit plan. Furthermore updates on claims and litigation, pensions, IT transformation, infrastructure investments in Australia and the financial impact of *Outlook* were presented.

In October, the third-quarter results and the quarterly internal audit and internal control reports were reviewed. The Audit Committee requested that a dashboard be provided in future meetings, showing clearly open and recurring audit action items. Updates on pensions, IT transformation, the financial impact of *Outlook*, and a preview of the 2015 budget were discussed.

In December, the Audit Committee discussed the 2015 budget and the 2015 internal audit, risk and control services plan, and the findings from PwC's hard close report. In addition, updates on risk management, internal control, pensions, France, IT transformation, dividend evolution, and the 2014 annual report process were discussed.

The chairman of the Audit Committee met with PwC in a private session prior to every Audit Committee meeting. In February 2015, the other Audit Committee members convened with PwC in the annual private session.

Chairman's & Nominations Committee

The Chairman's & Nominations Committee held meetings in February, April, July, October and December. Agenda items at each meeting included the composition and performance of the Supervisory Board, the Executive Board and the Management Board. Other issues discussed included the organisation and division of responsibilities between the Supervisory Board committees, corporate governance developments and the selection of training topics and company visits.

Remuneration Committee

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

The committee addressed a number of issues and prepared a proposal for amendments to the Executive Board remuneration policy that were adopted during the Annual General Meeting of Shareholders on 9 April 2014. Refer to section IV for the 2014 remuneration report and the remuneration policy.

Strategy Committee

The ad hoc Strategy Committee was established in July 2013 to assist the Executive Board in developing the company's strategy. The committee has three members and is chaired by Ms Harris. In 2014, meetings were held in January, April, June, September and the committee's final meeting in November. In the meetings, the Strategy Committee reviewed the overall progress of *Outlook* and had in-depth discussions with management on the key levers of the strategy, which include IT transformation, service improvement, organisation transformation, as well as, the re-launch of TNT.

The members discussed and challenged the further development and implementation of the company's strategy with special focus on opportunities, the competitive landscape, coherence with market trends and impact on financial performance. In January, the Strategy Committee visited UK International & Ireland, where local management presented a detailed analysis of UK International & Ireland's business and strategy, followed by a meeting with customers and a depot visit.

INTERNAL ORGANISATION

Evaluation

In 2014, the Supervisory Board conducted a self-assessment with the support of an external consultant. Each member of the Supervisory Board completed a questionnaire with questions regarding the functioning of the board including topics such as composition, competencies, decision-making process, effectiveness, communication and culture. Based on the completed questionnaires, personal interviews were conducted with the Supervisory Board members. In addition, interviews with the members of the Executive Board were conducted by the external facilitator. Based on the questionnaires and interviews, an evaluation report was drafted which was discussed in a plenary Supervisory Board session, with the facilitator present. Overall, the Supervisory Board was positive about its functioning and culture. A few improvement points were formulated including a stronger focus on the company's KPIs and ensuring sufficient time in the meetings for discussion on key items such as the current IT environment.

The Supervisory Board intends to use an external facilitator for the evaluation process at least once every three years.

Composition

In 2014, the Supervisory Board of TNT consisted of six members. Refer to page 41 for the names and biographies of the members of the Supervisory Board. A detailed overview of their diversity and competences is provided on the following page. During the Annual General Meeting of Shareholders on 9 April 2014, Mr King was re-appointed as member of the Supervisory Board for four years.

Conflict of interest

No transaction involving a conflict of interest between TNT and a member of the Supervisory Board or the Executive Board was reported in 2014.

Induction and training

In April, the members of the Supervisory Board visited TNT's hub in Liege, Belgium, where they were briefed by senior local management on the hub's processes, plans and projects. In addition they were informed on TNT's preparedness for crises or disasters.

External advice

In 2014, the Supervisory Board obtained independent professional advice on the search and selection of candidates for the position of CFO and on remuneration-related matters.

Competences and Diversity

During 2014, each member of the Supervisory Board was capable of assessing the broad outline of the tasks and responsibilities of the Supervisory Board. In their designated roles, each member had specific expertise to fulfil the duties assigned to him or her. Collectively, the Supervisory Board covered all required expertise, skills and competences to fulfil its duties. The competencies and diversity overview on the following page, provides more detailed information.

Supervisory Board competencies and diversity overview

General competencies

	Executive skills/ experience	International experience	Knowledge/ experience in logistics
Mr Burgmans	3	3	2
Ms Harris	1	3	2
Mr King	3	3	3
Mr Levy	3	3	2
Ms Scheltema	3	3	1
Mr Vollebregt	3	2	3

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

Functional competencies

	Marketing & Sales	IT	Operational Business Processes	Finance	Legal & Tax	Corporate Governance	Social/ CR	M&A/ Investor Relations
Mr Burgmans	3	1	2	2	2	3	3	2
Ms Harris	3	1	3	2	1	2	3	3
Mr King	2	2	2	3	1	3	1	3
Mr Levy	3	2	3	3	2	3	2	3
Ms Scheltema	2	2	2	3	3	3	3	1
Mr Vollebregt	3	1	3	2	1	2	1	3

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

Diversity

	Age	Gender	Nationality
Mr Burgmans	68	Male	Dutch
Ms Harris	48	Female	British
Mr King	74	Male	American
Mr Levy	67	Male	French
Ms Scheltema	60	Female	Dutch
Mr Vollebregt	60	Male	Dutch

Supervisory Board attendance

Overview

	Supervisory Board meetings	Audit Committee meetings	Remuneration Committee meetings	Strategy Committee meetings	Chairman's and Nominations Committee meetings	Additional ad hoc Supervisory Board meetings	EGM ¹	AGM ²
Mr Burgmans	6/6		4/4		5/5	2/2	1/1	1/1
Ms Harris	6/6	5/5	4/4	5/5	5/5	2/2	1/1	1/1
Mr King	6/6		4/4		5/5	2/2	0/1	1/1
Mr Levy	6/6	5/5	4/4		5/5	2/2	0/1	1/1
Ms Scheltema	6/6	5/5		5/5	5/5	1/2	0/1	1/1
Mr Vollebregt	6/6			5/5	5/5	1/2	1/1	1/1
Total % attendance	100%	100%	100%	100%	100%	83%	50%	100%

¹EGM: Extraordinary General Meeting of Shareholders.

²AGM: Annual General Meeting of Shareholders

Throughout 2014, each member of the Supervisory Board was able to secure sufficient time for the proper performance of his/her duties. This was confirmed by the very high attendance rate, as shown in the table above.

All members were independent in accordance with principle III.2 of the Dutch Corporate Governance Code. With four male (67%) and two female (33%) members, the composition of the Supervisory Board complied with the gender diversity rules of the Dutch Management and Supervision Act (*Wet Bestuur en Toezicht*).

The members represented four different nationalities. Their average age at the end of 2014 was 63, with ages ranging from 48 to 74. Most of the members possess a university degree or equivalent. Functional expertise covers finance and general management, and business experience ranges geographically from Europe and North America to Asia.

In 2014, TNT complied with the requirement of the Dutch Corporate Governance Code stipulating that a Supervisory Board member may not hold more than five memberships in supervisory boards of Dutch listed companies (including TNT), a chairmanship counting twice.

Matters pertaining to the Executive Board

CFO succession

On 4 April 2014, TNT announced that Mr Bot would not seek re-appointment as member of the Executive Board. To select a successor to Mr Bot, the Supervisory Board drew up a list of selection criteria and engaged a professional executive search firm to perform an international search for a new CFO. Among the possible candidates, Mr De Vries was found to be the strongest with regards to his knowledge and experience in finance, IT, procurement and supply chain management. His extensive experience in driving organisational change and implementing transformation programmes were also considered as highly valuable to the company. Pending shareholder approval, Mr De Vries was assigned as CFO as of 1 July 2014.

During the selection procedure for the new CFO, the Supervisory Board acknowledged the importance of a balanced composition of the Executive Board. With the appointment of Mr De Vries, the composition of the Executive Board in 2014, did not comply with the gender diversity rules recommended by the Dutch Management and Supervision Act (*Wet Bestuur en Toezicht*).

Contract

In compliance with the Dutch Management and Supervision Act (*Wet Bestuur en Toezicht*), which took effect in January 2013, TNT concluded a service agreement with Mr Gunning and Mr De Vries. Mr Bot's employment agreement remained unaffected as it already existed at the effective date of the Act. Mr Bot's employment agreement was for an indefinite period and ended as of 30 June 2014.

FINANCIAL STATEMENTS AND PROFIT APPROPRIATION

The 2014 (consolidated) financial statements as included in the annual report has been audited by PricewaterhouseCoopers Accountants N.V. (PwC) and presented to the Supervisory Board in the presence of the Executive Board and the external auditor. Refer to pages 139 to 146 of chapter 5 for PwC's report.

Members of the Supervisory Board have signed the financial statements pursuant to their statutory obligation under article 2:101(2) of the Dutch Civil Code (*'Burgerlijk Wetboek'*). Members of the Executive Board have signed the financial statements pursuant to their statutory obligation under article 2:101(2) of the Dutch Civil Code and article 5:25c (2)(c) of the Dutch Financial Markets Supervision Act (*'Wet op het financieel toezicht'*). Refer to page 10 of chapter 1.

The Supervisory Board recommended that the Annual General Meeting of Shareholders, to be held on 8 April 2015, adopts the 2014 consolidated financial statements of TNT. The Annual General Meeting of Shareholders will be asked to release the members of the Executive Board and of the Supervisory Board from liability in the exercise of their duties. Refer to page 148 of chapter 5 for the appropriation of results as approved by the Supervisory Board.

The Supervisory Board endorsed the Executive Board's view on 2014. The Supervisory Board approved the decision of the Executive Board to propose to compensate the loss out of the distributable part of the shareholders' equity and to pay a pro forma dividend out of the distributable part of the shareholders' equity. The proposed final dividend is €0.031 per share. The €0.049 per share interim dividend, together with the proposed final dividend, (€0.08 per share in total), represents a payout of 40% of normalised net income ('profit attributable to equity holders of the parent' adjusted for significant one-off and exceptional items) over the full year 2014, in line with the dividend guidelines.

COMPLIANCE WITH BY-LAWS

In 2014, no decision was taken by the Supervisory Board that did not comply with its by-laws.

A WORD OF THANKS

The Supervisory Board wishes to thank the Executive Board and all employees of TNT for their contributions in 2014.

Supervisory Board

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

Hoofddorp, 17 February 2015

III. CORPORATE GOVERNANCE

The Supervisory Board of TNT currently consists of six members.



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

Non-executive board member of BP plc. (UK); chairman of the supervisory board of AkzoNobel N.V.; member of the supervisory boards of SHV Holdings N.V. and Jumbo Supermarkten B.V.; and former chairman and CEO of Unilever N.V. and plc.

- Chairman of the Chairman's & Nominations Committee
- Member of the Remuneration Committee



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

Independent supervisory board member of Scotch & Soda B.V.; non-executive director at Reckitt Benckiser Group plc, J. Sainsbury plc. and ITV plc.; member of the supervisory board of Unibail-Rodamco; and former member of the supervisory board of TNT N.V.

- Chairman of the Remuneration Committee and Strategy Committee
- Member of the Audit Committee and Chairman's & Nominations Committee



R. (Roger) King
(1940, American)
Initial appointment 2011
Current term of office 2011-2018

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

- Member of the Remuneration Committee and Chairman's & Nominations Committee



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

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

- Chairman of the Audit Committee
- Member of the Remuneration Committee and Chairman's & Nominations Committee



M. (Margot) Scheltema
(1954, Dutch)
Initial appointment 2011
Current term of office 2013-2017

Non-executive director of Lonza plc. (Switzerland); vice-chairman of the supervisory board of Triodos Bank; member of the audit committee and supervisory board of ASR Verzekeringen; member of the supervisory boards of Schiphol Group, Stichting Rijksmuseum and Warmtebedrijf Rotterdam N.V.; chairman of the Monitoring Committee of the Code of Pension Funds; member of the board of World Press Photo; treasurer of Onze Taal Association; and council at the Enterprise Chamber of the Court of Appeal.

- Member of the Audit Committee, Chairman's & Nominations Committee and Strategy Committee



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

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

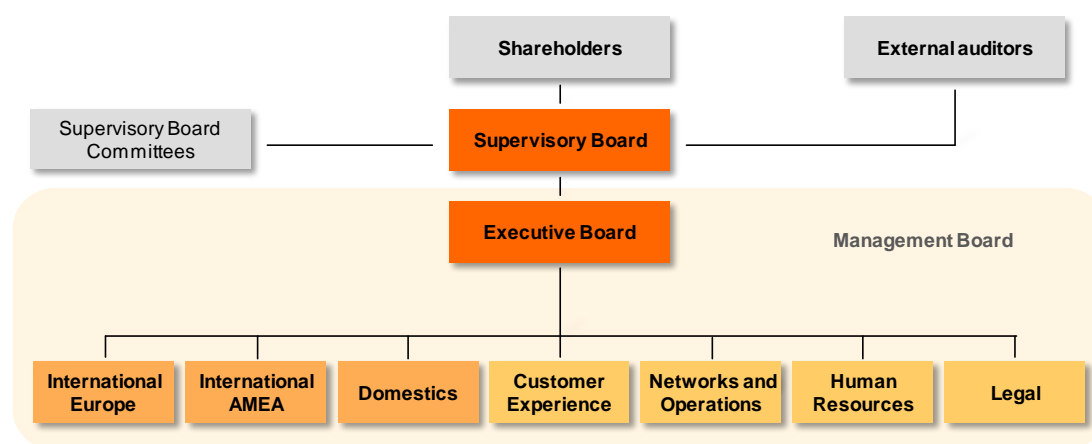
- Member of the Chairman's & Nominations Committee and Strategy Committee

INTRODUCTION

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

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

Corporate governance changes, compared to 2013, included the creation of focused and accountable units and the formation of a new nine-member Management Board.

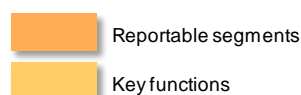


Internal regulations, policies and processes, including:

- Articles of Association
- Business Principles
- By-laws Supervisory Board
- By-laws Executive Board
- COSO – ERM³
- Key controls/CWC⁴
- Company policies
- Corporate responsibility standards

External regulations, including:

- Dutch Corporate Governance Code
- Dutch Civil Code
- Dutch Financial Markets Supervision Act
- NYSE Euronext listing rules



General

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

As illustrated in the diagram above, the Executive Board is supported by a Management Board. Refer to page 49 for a description of the composition of the Management Board.

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

³COSO – ERM: Committee of Sponsoring Organisations of the Treadway Commission (COSO) Enterprise Risk Management (ERM).

⁴Company Wide Controls.

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

SUPERVISORY BOARD

General

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

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

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

Composition of the Supervisory Board

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

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

Conflict of interest

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

External advice

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

Appointment and removal

The members of the Supervisory Board are appointed by the general meeting of shareholders. The Supervisory Board will nominate one or more candidates for each vacant seat. A resolution of the general meeting of shareholders to appoint a member of the Supervisory Board in accordance with a nomination by the Supervisory Board can be adopted with an absolute majority of the votes cast. If the nomination by the Supervisory Board with respect to a vacant seat consists of a list of two or more candidates, this list is binding. The vacant seat must be filled by electing a person from this list. A resolution of the general meeting of shareholders to appoint a member of the Supervisory Board other

than in accordance with a nomination by the Supervisory Board, or to deprive a binding list of candidates from its binding character, requires an absolute majority of votes representing at least one-third of the issued share capital.

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

Chairman and Corporate Secretary

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

Committees of the Supervisory Board

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

Audit Committee

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

Remuneration Committee

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

Strategy Committee

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

Chairman's & Nominations Committee

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

EXECUTIVE BOARD AND MANAGEMENT BOARD



Top row, from left to right: Ian Clough, Tex Gunning, Tjeerd Wassenaar. Bottom row, from left to right: Joost Otterloo, Marco van Kalleveen, Chris Goossens, Martin Södergård, Maarten de Vries and Michael Drake.

Executive Board

Tex Gunning (1950, Dutch)

Chief Executive Officer (CEO) and Chairman of the Executive Board and Management Board

Mr Gunning was appointed and designated as member of the Executive Board and CEO as per 1 June 2013. He was a member of the Supervisory Board of TNT from 31 May 2011 until 25 February 2013.

Prior to joining TNT, Mr Gunning was a member of the Board of Management and the Executive Committee of Akzo Nobel N.V. Prior to this, he was Chairman and CEO of Vedior N.V. His career also includes more than 25 years with Unilever N.V. and plc.

Mr Gunning brings a wealth of international business experience in executive management positions to TNT. He has a strong track record in successfully turning around businesses and delivering results. In addition to his restructuring experience, he has managed to grow businesses successfully in many markets. Throughout his career, Mr Gunning has been a strong advocate of bringing together the interests of business, society and the environment.

Maarten de Vries (1962, Dutch)

Chief Financial Officer (CFO) and member of the Executive Board and Management Board

Mr De Vries was appointed and designated as member of the Executive Board and CFO as per 18 September 2014. Responsibilities include IT, Purchasing and GBS.

Prior to joining TNT, Mr De Vries was CEO of TP Vision Holding B.V., a joint venture between TPV Technology Limited and Koninklijke Philips N.V. Prior to this, he held various CFO roles as well as Chief Information Officer and Chief Supply Officer at Group Management Committee level in Koninklijke Philips N.V.

Mr De Vries has broad international business experience and a strong background in finance. He has significant business experience in Asia where he worked for ten years in Taiwan, both for Koninklijke Philips N.V. and on the Board of Directors of TPV Technology Limited. With extensive experience in leading organisational change and transformation programmes, Mr De Vries is results oriented and takes personal interest in developing people and building diverse teams.

Additional members of the Management Board

Ian Clough (1967, British)

Member of the Management Board and Managing Director of International Europe

Mr Clough joined TNT as Managing Director of International Europe in April 2014. Prior to joining TNT, Mr Clough worked for DHL for 20 years, most recently as CEO of DHL Express USA.

Mr Clough has successfully led major business turnarounds and brings broad general management and industry experience to his role in TNT.

Michael Drake (1963, British)

Member of the Management Board and Managing Director of International AMEA

Mr Drake was nominated Managing Director of International AMEA in February 2014. Mr Drake has worked for TNT throughout Asia since 1993, occupying numerous senior roles.

At TNT, Mr Drake has engaged and federated employees across borders to work successfully together by building a strong, cohesive leadership organisation. He has managed key transitions in complex areas of TNT's core business and has hands-on experience in all aspects of TNT's industry.

Marco van Kalleveen (1969, Dutch)

Member of the Management Board and Managing Director of Domestic

Mr van Kalleveen joined TNT as Managing Director of Domestic and Chief Transformation Officer in February 2014. Prior to joining TNT, Mr van Kalleveen was a Partner at McKinsey & Company, and Senior Vice President at Bain Capital, LLC.

Mr van Kalleveen has extensive experience in developing and delivering the transformation of organisations ranging from Silicon Valley start-ups to Fortune 500 companies.

Chris Goossens (1962, Belgian)

Member of the Management Board and Managing Director of Customer Experience

Ms Goossens was nominated Managing Director of Customer Experience in October 2013. Ms Goossens has worked for TNT since 1988 and has held global management positions in Sales, Customer Experience, Communications and Network Operations.

At TNT, Ms Goossens has championed meeting the expectations of customers in all activities. She brings a wealth of operational and commercial experience to her current role, where she leads a dedicated Customer Experience team responsible for perfecting the service TNT offers to customers from order to delivery.

Martin Södergård (1959, Swedish)

Member of the Management Board and Managing Director of Global Network Operations

Mr Södergård joined TNT as Group Director of Global Networks in November 2013. He was named Managing Director of Global Network Operations in March 2014. Prior to joining TNT, he was Senior Vice President at Swissport Cargo Services and had enjoyed a successful career with DHL where he held a variety of key network-related roles such as Director Hubs & Gateways Europe, Managing Director DHL Network Operations Europe and Managing Director Express Nordics.

Mr Södergård has extensive experience in international management in the aviation and logistics industries.

Joost Otterloo (1968, Dutch)

Member of the Management Board and Chief People Officer

Mr Otterloo joined TNT as Chief People Officer in August 2014. Prior to joining TNT, Mr Otterloo was CEO of the Dutch lottery organisation, De Lotto and held several senior roles at CSM and Unilever.

Mr Otterloo has a financial background and extensive international experience in human resources.

Tjeerd Wassenaar (1969, Dutch)

Member of the Management Board and General Counsel

Mr Wassenaar joined TNT as General Counsel in December 2014. Prior to joining TNT, Mr Wassenaar was Global Director Legal Affairs & Corporate Secretary at Vopak, and had been legal director at Koninklijke Ahold N.V. He started his career at the law firm Loeff Claey's Verbeke and later at De Brauw (London).

Mr Wassenaar has gained experience in large and complex projects and merger and acquisition activity internationally as well as a wide variety of legal topics including legal risk management, compliance, regulatory and competition matters.

EXECUTIVE BOARD

General

The Executive Board is entrusted with the day-to-day management of TNT, which includes: deploying its strategy; managing its operations, risk profile and financing; achieving its objectives; and addressing compliance and corporate responsibility issues. The Executive Board may perform all acts it deems

necessary or useful for achieving the corporate purposes of TNT, except for those expressly attributed to the general meeting of shareholders or the Supervisory Board as a matter of Dutch law or pursuant to the Articles of Association. The members of the Executive Board have joint powers and responsibilities, and share responsibility for all decisions and acts of the Executive Board and for the acts of each individual member of the Executive Board. The Executive Board may only adopt resolutions with an absolute voting majority.

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

Appointment and removal

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

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

Conflict of interest

If a member of the Executive Board becomes aware of any significant (potential) conflict of interest, he must report this immediately to the chairman of the Supervisory Board and to the other members of the Executive Board, providing all relevant information. If a conflict of interest is established, TNT will be represented by another member of the Executive Board or by a member of the Supervisory Board appointed by the Supervisory Board for this purpose. A decision to enter into a transaction involving a conflict of interest with a member of the Executive Board that is of (material) significance to TNT or to the relevant member, requires the approval of the Supervisory Board. No such transactions were entered into in 2014.

Contract

The legal relationship between TNT and the members of the Executive Board is to be classified as an agreement to provide services under civil law, which exists in addition to their relationship under company law. This agreement is a contract for a definite period of four years and may be terminated during its term with due observance of a notice period of three months for the executive and six months for the company. The Executive Board member does not enjoy protection under employment law, such as the right to compensation in case of dissolution or unfair dismissal.

Issuance of shares

At the Annual General Meeting of Shareholders, held on 9 April 2014, the Executive Board was designated as competent body to issue ordinary and preference shares and to grant rights to subscribe for ordinary and preference shares until 9 October 2015. The authority of the Executive Board as regards the issuance of ordinary shares is restricted to a maximum of 10% of the total issued and outstanding share capital at the time of issuance plus a further issuance up to 10% of the total issued and outstanding share capital at the time of issuance in case an issue occurs as part of a merger or acquisition. The authority to issue preference shares and to grant rights to subscribe for preference

shares is not limited and concerns all preference shares which are not yet issued from the authorised capital as it will read from time to time.

In addition, at the Annual General Meeting of Shareholders, held on 9 April 2014, the Executive Board was designated as competent body to restrict or exclude pre-emptive rights upon issuance of ordinary shares (including the granting of rights to subscribe for ordinary shares) until 9 October 2015. A resolution of the Executive Board to issue ordinary or preference shares, or to grant rights to subscribe to shares, is subject to the approval of the Supervisory Board.

Acquisition of own shares

At the Annual General Meeting of Shareholders, held on 9 April 2014, the Executive Board was authorised to acquire fully paid-up ordinary shares in the capital of the company through a purchase on the stock exchange or otherwise for a term of 18 months until 9 October 2015, up to 10% of the nominal amount of its total issued and outstanding share capital. The acquisition can take place for a price per share of at least the nominal value and at most the quoted ordinary share price plus 10%. The quoted share price is the average of the closing prices of an ordinary share according to the 'Official Price List of Euronext Amsterdam N.V.' for a period of five trading days prior to the day of repurchase. A resolution of the Executive Board relating to the acquisition of own shares is subject to the approval of the Supervisory Board.

MANAGEMENT BOARD

The Management Board of TNT supports the Executive Board in its oversight of operations and implementation of the company's strategy. The Management Board currently has nine members: the CEO, the CFO, and seven members drawn from the three reportable segments (International Europe; International AMEA; and Domestic), and key functions (customer experience; network operations; human resources; and legal) to ensure that TNT is managed as an integrated global business.

PREVENTION OF INSIDER TRADING

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

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

As for members of the Executive Board, no member holds ordinary shares in TNT as of 31 December 2014. This excludes any granted rights on (phantom) shares allocated to members of the Executive Board under any of TNT's equity plans and/or any participation in the Executive Board's variable compensation scheme.

As for members of the Supervisory Board, only Mr Vollebregt holds shares in TNT. As of 31 December 2014, the total number of shares held was 10,052.

FOUNDATIONS OF THE CORPORATE GOVERNANCE OF TNT

The Executive Board is committed to a high standard of corporate governance, information and disclosure, in line with the Dutch Corporate Governance Code and with regulatory requirements. The Executive Board's compliance statement relative to the Dutch Corporate Governance Code and the Dutch Financial Markets Supervision Act ('*Wet op het financieel toezicht*') can be found on page 10.

Internal Control

The Executive Board used elements of former obligations under the Sarbanes-Oxley Act in establishing the company's governance and internal controls over financial reporting (ICFR). Furthermore, the ICFR framework established by the Executive Board has a wider scope than would be mandatory according to the Sarbanes-Oxley Act, as it includes a number of smaller entities.

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

Throughout 2014, TNT documented and evaluated the design of ICFR. In addition, TNT continued a comprehensive programme of testing the operational effectiveness of its ICFR. Further initiatives on entity-level controls were undertaken, including integrity awareness and training and reinforcement of policies and procedures. The findings identified by each of the entities included in the ICFR programme, including the findings raised by the external auditor, were reported to the Executive Board and the Audit Committee of the Supervisory Board.

Risk Management

TNT has a continuous, formal and structured risk management and reporting system in place. Refer to section V for more information.

Business Ethics

The Business Ethics function manages the policies, procedures and cases related to ethics issues and integrity such as conflicts of interest, gifts and entertainment, fraud, corruption, bribery, whistleblowing and disciplinary actions. Guidance on business ethics is set out in the TNT Business Principles and related policies and procedures. The Business Principles are embedded in the strategic and operational decision-making processes and in customer and supplier contracts. To promote compliance, communication and training are being rolled out in all operating units globally. The procedure on whistleblowing is a crucial complement to this framework. The Business Principles can be viewed on TNT's corporate website (www.tnt.com/corporate).

Internal Audit

The Internal Audit function of TNT operates under the responsibility of the Executive Board and is subject to monitoring by the Supervisory Board, assisted by the Audit Committee. The Internal Audit function provides assurance and advice on the quality of governance, risk management and control processes company-wide. The external auditor and the Audit Committee are aligned in defining the tasks and plans of the Internal Audit function.

EXTERNAL AUDITOR

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

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

The Audit Committee is required to pre-approve, supported by the director of internal audit, risk and control services, all services to be provided by the external auditor, in order to assure that these do not impair the auditor's independence from TNT.

Once every three years, the Audit Committee and the Executive Board are required to conduct a thorough assessment of the functioning of the external auditor. The last assessment was conducted in 2013. The lead engagement partner is present at the general meeting of shareholders and may be questioned with regard to his issued opinion on the financial statements. The lead engagement partner, other key audit partners, and the quality (review) partner of the external auditor are rotated after a

maximum period of seven years. From 2011, the lead engagement partner of PwC in charge of the TNT account is Mr Dekkers.

DUTCH CORPORATE GOVERNANCE CODE

By applying the best practice provisions and explaining deviations, TNT complies with the Dutch Corporate Governance Code. An explanation is given below for those instances in which TNT does not fully comply with the best practice provisions of the Code. The full text of the Code and TNT's Articles of Association and other relevant internal regulations can be viewed in the Corporate Governance section on TNT's corporate website (www.tnt.com/corporate).

Best practice provision II.2.8

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

Best practice provision IV.1.1

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

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

SHAREHOLDERS

General meetings of shareholders

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

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

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

On 18 September 2014, an Extraordinary General Meeting of Shareholders was held, to appoint Mr De Vries as a member of the Executive Board of TNT in the position of CFO. Mr Bot was granted full and

final release and discharge from liability as member of the Executive Board of TNT, until and including 30 June 2014.

Agenda

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

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

Admission to and voting rights at the meeting

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

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

Dissolution and liquidation

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

Change to the rights of shareholders

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

Major shareholders

The Dutch Financial Markets Supervision Act (*Wet op het financieel toezicht*) imposes a duty on shareholders to disclose substantial percentage holdings in the capital and/or voting rights in a company when such holdings reach, exceed or fall below: 3%, 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95%. Such disclosure must be made to the AFM without delay. As per 31 December 2014, the register of the AFM disclosed that Blackrock Inc.; UBS Group AG; Artisan Investments GP LLC; Tweedy, Browne Company LLC; Franklin Templeton Investment Funds; Investec Asset Management Limited; MacKenzie Financial Corporation; First Eagle Global Fund; PostNL N.V.; Arnhold and S. Bleichroeder Holdings, Inc.; B. Rosenstein; and Her Majesty the Queen in right of Alberta have a substantial percentage holding in TNT Express N.V. exceeding 3%.

FOUNDATION

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

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

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

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

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

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

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

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

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

IV. REMUNERATION REPORT

REMUNERATION GOVERNANCE

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

TNT's remuneration policy complies with all relevant Dutch legal requirements and the Dutch Corporate Governance Code. The single deviation from the best practice provisions of the Code relates to a change of control and is explained on page 51. In preparing the remuneration policy, the Remuneration Committee takes into account the difference between the highest paid and the lowest paid employee, and the remuneration of senior management reporting to the Executive Board in order to ensure a consistent and aligned remuneration practice within TNT.

2014 REMUNERATION POLICY

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

At the 2014 Annual General Meeting of Shareholders, the new TNT remuneration policy for members of the Executive Board was approved. The remuneration structure for members of the Executive Board is designed to balance short-term operational performance with the long-term objectives of TNT and value creation for its shareholders. The remuneration package consists of:

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

In order to provide a consistent review of the total level and structure of remuneration, the components of the remuneration package, and the total compensation of the members of the Executive Board are benchmarked every three years against a European reference group (refer to the following table), with an additional assessment against a Dutch peer group, unless the Supervisory Board decides otherwise.

European reference group¹

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

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

The Dutch peer group consisted of all AEX-listed companies, excluding the two largest and two smallest companies as well as companies in the financial sector. The last benchmark test was performed in 2013 by an external party. A new benchmark test will occur before the end of 2016.

Base compensation

The base salary component of the remuneration package is set at a median level when compared to the peer group benchmark data. The base salary policy permits the adjustment of salaries annually in line with the average increase in the collective labour agreements applicable to employees of the larger TNT entities in Europe.

Variable income

The variable income policy comprises the following instruments:

- short-term incentive;
- voluntary bonus/matching plan (equity) linked to short-term incentive proceeds; and
- equity-based long-term incentive (the 'TNT performance share plan') to ensure alignment with long-term value creation and the interest of shareholders (through the development of share price and dividend payments).

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

Short-term incentive

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

At the beginning of each year, the Supervisory Board sets the targets for the short-term incentive. The short-term incentive targets could consist of financial and non-financial focus areas. Results relating to the targets lead independently to a short-term incentive payout.

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

Bonus/matching plan

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

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

Long-term incentive

The Supervisory Board can award conditional rights to shares to members of the Executive Board under the TNT performance share plan. The award is based on a value of 50% of the annual base compensation. The actual number of rights to shares granted is determined by dividing the available amount (50% annual base compensation) by the fair value of the right to a share according to IFRS.

The performance shares vest after a three-year period. The actual number of shares that vest depends on the performance of the following performance measures:

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

% difference TNT's performance vs index	% of total allocation of performance shares that vest
-20%	0.00%
-15%	6.25%
-10%	12.50%
-5%	18.75%
0%	25.00%
5%	31.25%
10%	37.50%
15%	43.75%
20%	50.00%

- The performance schedule (sliding scale) is designed such that a TSR performance of the company at index level (0% difference) leads to a vesting of half of the maximum of granted rights to shares.
- 50% non-financial target(s): consisting of target(s) considered most relevant for the company during the three-year vesting period.

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

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

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

Pension

The remuneration policy provides for a pension provision for members of the Executive Board in line with the local practice on the labour market.

Severance

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

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

Other

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

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

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

TNT does not grant loans or guarantees, including mortgage loans, to members of the Executive Board.

TOTAL REMUNERATION – 2014

In 2014, members of the Executive Board received a base compensation, a variable component (short-term incentive and long-term incentive), other periodic compensation, and contributions to pension provisions.

The reported 2014 remuneration of Mr De Vries represents income received as of 1 July 2014, the starting date of his assignment as CFO. Mr Bot's reported remuneration represents income received during his term as CFO, which ended on 30 June 2014. Refer to note 19 in chapter 5 for more information.

The following table highlights the elements of the 2014 remuneration for the individual members of the Executive Board:

Total remuneration - Executive Board

	Financial year	Base compensation	Temporary allowance ¹	Other periodic paid compensation ²	Pension costs	Accrued for short-term incentive	Accrued for long-term incentive	Termination benefits ³	One-off employer tax ⁴	Total
Current members										
Tex Gunning	2014	750,000		45,529	187,500		100,147			1,083,176
Tex Gunning ⁵	2013	437,500		20,099	109,375				65,593	632,567
Maarten de Vries ⁶	2014	250,000		11,103	62,500		34,754			358,357
Former members										
Bernard Bot ⁷	2014	250,000		40,986	75,374	6,141	21,293	1,524,000		1,917,794
Bernard Bot ⁸	2013	500,000	104,167	59,385	168,363	40,466	40,149		89,045	1,001,575
Jeroen Seyger ⁹	2013	100,540	112,071	14,582	23,707	3,739	30,586		23,282	308,507

¹A temporary quarterly allowance is paid for the duration of the interim appointment of Mr Bot as CEO ad interim and Mr Seyger as CFO ad interim.

²Other periodic paid compensation includes company costs related to tax and social security, company car and other costs.

³The termination benefits for Mr Bot include: severance payment of one year's base compensation, compensation for the 6 months notice period and the estimate for additional wage tax of €596,000 subject to article 32bb Dutch Wage Tax Act 1964.

⁴According to Dutch tax law, a one-off employer tax was applied in 2013.

⁵As of 1 June 2013, Mr Gunning was assigned as CEO.

⁶As of 1 July 2014, Mr De Vries was assigned as CFO.

⁷As of 30 June 2014, Mr Bot resigned from the company. For Mr Bot, the accrued costs for short-term incentive consist of costs taken in 2014 for awards in the period 2011-2013.

⁸Mr Bot was CEO ad interim from 1 January 2013 through 31 May 2013, after his resignation as CEO ad interim Mr Bot remained CFO.

⁹Mr Seyger was CFO ad interim from 1 January 2013 through 31 May 2013, the reported amounts relate to his income as CFO ad interim.

(in €)

Base compensation

The remuneration policy for members of the Executive Board permits the base compensation to be adjusted in line with the average increase in the collective labour agreements adopted by the larger TNT entities in Europe. Although the developments in the collective labour agreements allowed for an increase of the base compensation, the Supervisory Board decided that the annual base compensation for members of the Executive Board remained unchanged. The base compensation of members of the Executive Board has remained unchanged since 2011.

The 2014 annual base fee for Mr Gunning was €750,000 and the annual base fee for Mr De Vries amounted to €500,000. Due to his assignment as CFO as of 1 July 2014, Mr De Vries received a total base compensation of €250,000.

Variable income

Short-term incentive

The 2014 short-term incentive focuses entirely on financial targets comprising:

- 70% company results
- 30% net cash flow

The reward for 'at target' performance amounts to 100% of the annual base compensation.

The Supervisory Board has assessed and scored the 2014 performance against the set targets and objectives, and determined that the targets were not met, therefore, no short-term incentive payout will occur.

Bonus/matching plan

In 2014, due to the fact that both Mr Gunning and Mr Bot fully waived their 2013 short-term incentive entitlements, they were not eligible to participate in the bonus/matching plan.

Long-term incentive

On 29 April 2014, the Supervisory Board awarded conditional rights to shares to members of the Executive Board under the TNT performance share plan.

The 2014 performance shares vest after a three-year period. The actual number of shares that vest depends on the performance of the following performance measures:

- 50% financial target: (for further information, refer to the remuneration policy above)
- 50% non-financial target(s), for 2014: a customer satisfaction target

The Supervisory Board has assessed the performance on the non-financial target and determined that performance exceeded the set target level.

Mr De Vries was not a member of the Executive Board at the time of the annual grant, therefore his 2014 award of performance shares has been prorated (94%) for his time in service during the three years vesting period (29 April 2014 - 1 May 2017). This grant took place on 28 October 2014.

Pension

Members of the Executive Board receive a gross pension allowance as a contribution to their individual pension provision. For Mr Gunning and Mr De Vries, a monthly gross pension allowance of 25% of their monthly base compensation is made available. Mr Gunning and Mr De Vries do not participate in the TNT pension scheme.

Severance

The contractual severance payments for both Mr Gunning and Mr De Vries are in line with the remuneration policy. Mr Bot received a severance payment equal to one year's annual base compensation, according to the remuneration policy.

Other

According to the remuneration policy, the contracts of Mr Gunning and Mr De Vries include a 'claw-back' clause which will apply in case of an erroneous variable remuneration payout.

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

2015 REMUNERATION POLICY

In 2015, following the request of various stakeholders, the Supervisory Board will introduce shareholding guidelines, under which executives are required to build up a minimum ownership of company shares. In order to facilitate such guidelines the Supervisory Board will propose amendments to the 2014 Remuneration Policy. The amendments will consist of the following changes to the existing bonus/matching plan:

- renaming the plan from bonus/matching plan to investment/matching plan; and
- allowing executives to participate in the investment/matching plan, with shares purchased from their own funds. Matching of shares that are purchased from the executive's own funds will be subject to a maximum as per the shareholding guidelines. Thereafter, the matching will be limited to the proceeds of the short-term incentive.

All other characteristics of the existing bonus/matching plan, such as the one-to-one matching and the three-year holding period will remain unchanged.

The Supervisory Board will take into account the overall performance of the company, when it decides on the vesting of rights to matching shares relating to the investment/matching plan.

The amendment of the remuneration policy will be submitted for approval to the Annual General Meeting of Shareholders on 8 April 2015.

REMUNERATION – SUPERVISORY BOARD

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

In 2014, the level of the remuneration of the Supervisory Board remained unchanged. The compensation of the members of the Supervisory Board will be benchmarked every three years. A benchmark test will be executed at the end of 2016, synchronous with the benchmark of the compensation of the members of the Executive Board. The 2014 remuneration for the Supervisory Board is set out in the following table:

Remuneration - Supervisory Board

		Base fee	Additional meeting fee
	Chairman	60,000	2,500
	Member	45,000	1,500
Committees			
			Regular meeting fees
Audit	Chairman		2,500
Remuneration Strategy (ad hoc)	Member		1,500
Chairman's and Nomination	Chairman		1,500
	Member		1,000

(in €)

The fixed travel allowance for intercontinental travel by any member of the Supervisory Board domiciled outside Europe is €2,500 for every meeting attended. For members domiciled in Europe, outside the Netherlands, the travel allowance is €1,500 for every meeting attended.

Members of the Supervisory Board do not receive any compensation related to performance and/or equity and do not accrue any pension rights with TNT. Members of the Supervisory Board do not receive any severance payments in the event of termination or removal by the general meeting of shareholders. TNT does not grant loans, including mortgage loans or guarantees, to any member of the Supervisory Board. Refer to note 19 in chapter 5 for more information.

V. RISK MANAGEMENT

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

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

RISK MANAGEMENT FRAMEWORK

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

Risk appetite

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

Risk appetite table

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

Throughout 2014, the company reviewed its risk profile on a regular basis. As input, the Executive Board used the outcome of all risk assessments, representing input from members of the Management Board, all functional areas, entities and key strategic projects.

Risk factors

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

Summary of main risks

	Specific risks	Inherent risks
Strategic risks	<ul style="list-style-type: none"> – Risks related to execution of strategy, restructuring or other change management programmes – Risks related to closure or disposal of certain businesses – Negative operational impact of a takeover bid 	<ul style="list-style-type: none"> – Deterioration of economic conditions – Changing customer preferences or shipping patterns – Intensifying competition in the CEP market
Operational risks	<ul style="list-style-type: none"> – Inaccurate forecasting of infrastructure requirements – Loss of or unavailability of suitable key suppliers or subcontractors – Failures in key infrastructures and networks – Potential impact of accidents and incidents 	<ul style="list-style-type: none"> – Increase in security requirements – Volatility in fuel prices and energy costs
Financial risks	<ul style="list-style-type: none"> – Proportionate but significant influence of major shareholders – Inadequate insurance coverage 	<ul style="list-style-type: none"> – Volatility in the financial market
Compliance risks		<ul style="list-style-type: none"> – Negative exposure from (changes in) regulatory, political and other environments, especially in emerging markets – Non-compliance with company policies, and/or external laws and regulations – Negative outcome of various claims and lawsuits

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

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

Strategic risks

Risk description	Mitigating action
<p>Risks associated with the execution of strategy, restructuring or other change management programmes</p> <p>Identified risks:</p> <ul style="list-style-type: none"> – Reduced benefits due to design failures or inaccurate estimates of revenue benefits and/or cost savings – Reduced investments compared to plan, impacting the overall (revenue) benefits and/or cost savings – Negative staff or supplier reactions (including strikes and work stoppages) – Management distraction due to organisational and other changes – Failure to retain and attract key employees – Inadequate IT capacity and capability – Deficiencies in the control environment 	<ul style="list-style-type: none"> – Involving senior management and qualified personnel in all major projects – Closely monitoring restructuring programmes by a dedicated programme office that tracks progress and plans resources which enables timely adjustments – Proactively involving employee representative bodies at an early stage – Developing employee engagement, investing in professional learning and development programmes – Utilising structured succession planning and developing future leaders – Increasing investments in IT and diversification of the IT supply base (including development of alternative providers)
<p>Risks associated with closure or disposal of certain businesses</p> <p>Identified risks:</p> <ul style="list-style-type: none"> – Unexpected costs (including impairment of intangible or tangible assets), liabilities and cash outflows – Business disruption – Loss of key relationships – Loss of management and staff in affected businesses – Inability to sell business held for sale 	<ul style="list-style-type: none"> – Carefully analysing, planning and executing closure or divestment proposals – Monitoring execution by senior management – Maintaining ongoing communication with key customers and suppliers – Maintaining transparent and frequent communication with management and staff – Paying continued attention to business performance during the disposal process
<p>Negative operational impact of a takeover bid for TNT or speculations about such a bid</p> <p>Identified risks:</p> <ul style="list-style-type: none"> – Loss of customers, supplier contracts, business opportunities and employees – Management distraction 	<ul style="list-style-type: none"> – Establishing comprehensive corporate procedures to handle a bid situation – Providing adequate and timely information to internal and external stakeholders
<p>Deterioration of the economy, either globally or in specific geographies</p> <p>Identified risks:</p> <ul style="list-style-type: none"> – High volatility and/or prolonged downturns in regions in which TNT operates, causing decline in demand for express volumes and/or significant changes in product mix – Customers' or suppliers' solvency problems 	<ul style="list-style-type: none"> – Closely monitoring all market developments – Implementing profit improvement programmes and other cost reducing initiatives – Further expanding TNT's flexible cost base – Diversifying suppliers and subcontractors – Actively monitoring customers' and suppliers' solvency – Striving for a solid capital structure reflected in a long-term credit rating target of BBB+ by S&P and Baa1 by Moody's

Strategic risks (continued)

Risk description	Mitigating action
<p>Changing customer preferences or shipping patterns Identified risks:</p> <ul style="list-style-type: none"> – Further shift in volumes, for example from express to economy express or from B2B to B2C services – Inability to realise the targeted customer mix – Loss of customers if service offering no longer matches their demands – Inadequate cover of changing trade lanes 	<ul style="list-style-type: none"> – Monitoring trends and shipping patterns – Maintaining close contact with customers – Flexibility to adjust network and local operations to meet new service requirements – Operating a company-wide service delivery improvement programme – Enhancing the company's economy express service offering – Building a selective service offering for B2C – Developing and maintaining access to third-party suppliers with complementary capabilities
<p>Intensifying competition in the CEP market may put downward pressure on volumes and prices Identified risk:</p> <ul style="list-style-type: none"> – Targeted actions by global or low-cost competitors 	<ul style="list-style-type: none"> – Monitoring markets and competitors – Implementing cost reductions to increase competitiveness – Introducing innovative pricing standards – Focusing on yield improvement activities

Operational risks

Risk description	Mitigating action
<p>Inaccurate forecasting of infrastructure requirements, such as road and air hubs, aircraft, vehicles, depots and IT Identified risks:</p> <ul style="list-style-type: none"> – Cost of excess capacity – Opportunity costs of capacity constraints (growth constraints, operational disruptions, inability to meet contractual commitments, contingencies) – Inadequate airport slots, air traffic control slots, and operating flexibility 	<ul style="list-style-type: none"> – Forecasting volumes for short, medium and long term – Developing alternative uses for capacity – Maintaining consistent, cross-functional budgeting and forecasting cycles – Sourcing from multiple suppliers locally and globally – Working with subcontractors and other third-party suppliers that have the ability to adjust their capacity in the short term – Executing network planning as core competency, with designated managers on a global and regional level
<p>Loss of or the unavailability of key suppliers and subcontractors could impact TNT's ability to deliver Identified risks:</p> <ul style="list-style-type: none"> – Dependency on a key supplier or subcontractor who turns insolvent or bankrupt – Asymmetric negotiations with a key supplier due to dependency 	<ul style="list-style-type: none"> – Sourcing from multiple suppliers – Implementing contingency plans to enable seamless transfer to alternative suppliers – Screening and monitoring suppliers closely – Utilising longer-term contractual arrangements where appropriate
<p>TNT's services are time-critical. Network and IT disruptions in key infrastructure facilities may lead to its inability to deliver according to customer expectations and contractual obligations Identified risks:</p> <ul style="list-style-type: none"> – Disruption or breakdown of concentrated (hub) infrastructure facilities, owned or third party – Disruption in subcontractor operations – Failure of IT infrastructure and applications 	<ul style="list-style-type: none"> – Actively monitoring and identifying potentially disruptive events – Investing in preventive measures – Implementing business continuity plans – Maintaining a global and local crisis response organisation including back-up facilities and networks

Operational risks (continued)

Risk description	Mitigating action
<p>Accidents and incidents resulting in fatalities, injuries or damages could negatively impact TNT</p> <p>Identified risks:</p> <ul style="list-style-type: none"> – Road traffic accidents – Aircraft accidents – Incidents from the transport of (hazardous) materials – Loss of consignments 	<ul style="list-style-type: none"> – Investing in fleet, systems, procedures and training relating to health and safety – Complying with external and internal health and safety rules and policies – Reporting and analysing all accidents and incidents; ensuring continuous improvement – Executing a company-wide health and safety improvement programme and promoting a safety culture
<p>A terrorist attack or increased security requirements could negatively affect TNT</p> <p>Identified risks:</p> <ul style="list-style-type: none"> – Staff or third-party injuries or fatalities due to terrorist attack – Costs or operating restrictions due to additional or changing rules and regulations for the transportation industry – Criminal acts against TNT which puts staff, property or customer consignments at risk 	<ul style="list-style-type: none"> – Strictly adhering to security policies, processes, procedures and systems (including supporting training, monitoring and auditing) – Investing in security personnel and equipment – Maintaining a continuous dialogue with authorities and participating in industry associations on changes in security rules – Adding a security surcharge to mitigate cost impact
<p>Volatility in the price of fuel, energy or CO₂ emission rights may adversely affect TNT</p> <p>Identified risk:</p> <ul style="list-style-type: none"> – Large dependency on air and road transportation can result in a potentially significant impact 	<ul style="list-style-type: none"> – Implementing company-wide fuel and energy efficiency measures – Ensuring application of fuel surcharges to mitigate cost impact

Financial risks

Risk description	Mitigating action
<p>Major owners of TNT's ordinary shares could exercise proportionate but significant influence, affecting the course of the company or the trading volume and share price</p> <p>Identified risk:</p> <ul style="list-style-type: none"> – Concentration of voting power at the general meeting of shareholders 	<ul style="list-style-type: none"> – Regularly engaging with major shareholders – Ensuring visibility of TNT with target investors to promote a diversified investor base by geography and investor style – Maintaining a corporate governance framework including Foundation call option (refer to page 53) – Ensuring compliance to the Relationship Agreement with PostNL (refer to TNT's corporate website: www.tnt.com/corporate)
<p>Inadequate insurance coverage</p> <p>Identified risk:</p> <ul style="list-style-type: none"> – Size and scope of insurance policy is inadequate to meet nature or size of damage claims 	<ul style="list-style-type: none"> – Utilising an in-house captive insurance company for additional coverage – Insuring 'catastrophe exposures' externally – Retaining several external insurers with a rating of A or higher

Financial risks (continued)

Risk description	Mitigating action
<p>Volatility and unfavourable movements of the financial markets may have a negative impact on TNT's ability to fund and cost of funding</p> <p>Identified risks:</p> <ul style="list-style-type: none"> – Fluctuations in exchange rates and interest rates – Downgrade of TNT's credit ratings – Break-up of or change of eurozone and its currency 	<ul style="list-style-type: none"> – Monitoring of capital investments in context of capital structure – Maintaining hedging arrangements to limit intragroup and external financial currency and interest exposures. Operational foreign currency cash flow exposures are mostly not hedged – Maintaining headroom under committed longer-term revolving credit facilities – Striving for a solid capital structure reflected in a long-term credit rating target of BBB+ by S&P and Baa1 by Moody's – Refer to note 29 in chapter 5

Compliance risks

Risk description	Mitigating action
<p>TNT's global presence exposes it to a variety of regulatory, political and other environments which may affect its business and operations, especially in emerging markets where the legal systems are in varying stages of development</p> <p>Identified risks:</p> <ul style="list-style-type: none"> – Changes in regulatory requirements, practices and procedures, in areas such as transportation, trade, anti-trust, labour, data protection, business licensing, foreign ownership, health and safety, taxes, limited liability for loss, export controls, sanctions, customs and security – Unfavourable policies and regulations related to environment and climate change – Restrictions on the use of vehicles during parts of the day or week – Underdeveloped judiciary and legal infrastructure in specific emerging markets 	<ul style="list-style-type: none"> – Monitoring and adapting to relevant (changes in) rules and regulations – Maintaining a dialogue with authorities and participating in industry associations – Implementing a company-wide compliance system, including training and reporting procedures
<p>Non-compliance with internal policies and/or external laws and regulations by employees, subcontractors or third-party suppliers could result in financial losses, loss of customers, sanctions or reputational damage</p> <p>Identified risks:</p> <ul style="list-style-type: none"> – Unwanted involvement in anti-competitive actions – Non-compliance with applicable social security or fiscal regulations – Classification of subcontractors or their employees as employees of TNT 	<ul style="list-style-type: none"> – Maintaining company-wide business principles, control frameworks, compliance policies, guidelines and integrity programmes including representations and training, audits and complaints procedures – Communicating and implementing business principles and related guidelines towards subcontractors and third-party suppliers – Maintaining a global whistleblower procedure

Compliance risks (continued)

Risk description	Mitigating action
<p>The nature of its business exposes TNT to the potential for claims and litigations in a wide variety of areas</p> <p>Identified risks:</p> <ul style="list-style-type: none"> – Claims from/litigations by partners or third parties in relation to partnerships or potential partnerships, acquisitions or divestments – Customers claiming contractual obligations have not been met – Claims from public authorities and other third parties in relation to TNT's local operations – TNT may be held liable for PostNL obligations outstanding at the date of the demerger of TNT N.V. in 2011 	<ul style="list-style-type: none"> – Maintaining company-wide business principles, legal and other control frameworks, compliance policies, guidelines and integrity programmes including representations and training, audits and complaints procedures – Reporting quarterly material contracts and claims and litigations – Centrally involving senior management in claim and litigation resolution