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# Appendix 3: Transparency, materiality and stakeholder engagement

## About this report

### Scope

The Integrated Annual Report was published on 22 February 2021.

The scope of the information in this report covers the KPN Group and subsidiaries in which KPN has a majority shareholding. This scope is the same as the previous year's report. Unless stated otherwise, references to KPN should be read as referring to the KPN Group. For our non-financial information, we include new acquisitions in our report as of the first full year of ownership. Non-financial information for divestments that occurred during the reporting year is excluded for the full year.

The data in this report refers to KPN's performance and not to that of our subcontractors, unless stated otherwise. The full scope of the financial information is reported in the Consolidated Financial Statements (p. 106). The report specifically reviews developments and performance in 2020 and is based on topics identified as highly material for KPN. The described scope applies to all material topics. Aspects of a more static nature (such as management approaches to our ESG themes and our stakeholders) or with less reporting priority (such as the list of external memberships) are included in the GRI index (p. 221) or reported on [corporate.kpn.com/dutchsociety.htm](https://corporate.kpn.com/dutchsociety.htm).

### Reporting criteria

The purpose of this report is to inform stakeholders about KPN's role in society, in connection with the main strategic objectives and targets. Stakeholders are defined as all people and organizations affected by KPN's operations or with whom a relationship is maintained, such as employees, governments and regulators, the investor community, suppliers, customers

and society. The section 'Stakeholder dialogue' in this appendix provides more information on stakeholder approach for specific stakeholder groups.

This report is prepared in line with the International Integrated Reporting Council (IIRC) Integrated Reporting (IR) framework and we comply with the EU Directive Non-Financial Reporting. For the sustainability information included in this report KPN follows the Global Reporting Initiative (GRI) Standards - Option Comprehensive and self-developed reporting criteria as disclosed in this appendix. The Option - Comprehensive of the GRI Standards means that KPN reports on all general standard disclosures and all specific standard disclosures related to identified material topics.

The process for defining the material topics and report content, as well as the list of material topics, is described in the materiality determination. The results of this assessment (list of material topics for KPN, including their reporting priority) determine which GRI standards are set out in this report and which indicators are featured only on the website or in the GRI index. The overview can be found in the GRI index (p. 221).

Quantitative data concerning the workforce and financial results set out in this report has been collected using our financial data management system. The remaining data has been collected using a standardized questionnaire that was completed with data from information management systems by the responsible business units. The Internal Audit and Corporate Control departments used the consistency and availability of supporting evidence as the basis for their assessment of the data reported at group level. Validation criteria set out in advance were also used to assess the data.

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### EU Directive: Disclosure of non-financial information and diversity information

Requirements EU Directive	Subtopic	Chapter / Page reference (starting page)
A brief description of the business model	The business environment	Our purpose and the world around us (p. 9) Strategy, key performance and value creation model (p. 12) Our valuable assets (p. 62)
	Organization and structure	Strategy, key performance and value creation model (p. 12) Our valuable assets (p. 62)
	Markets where the undertaking operates	Our purpose and the world around us (p. 9) Strategy, key performance and value creation model (p. 12) Our valuable assets (p. 62)
	Objectives and strategies	Strategy, key performance and value creation model (p. 12) Our valuable assets (p. 62)
	Main trends and factors that may affect the undertaking's future development	Our purpose and the world around us (p. 9)
Relevant social and personnel matters (e.g. HR, safety etc.)	A description of the policies pursued, including due diligence	Our performance: Sustainable employability (p. 51)
	The outcome of those policies	Our performance: Sustainable employability (p. 51)
	Principle risks in own operations and within value chain	Our performance: Sustainable employability (p. 51)
	How risks are managed	Appendix 4: List of top risks (p. 198) Compliance and risk (p. 73) Appendix 4: List of top risks
	Non-financial key performance indicators	Our performance: Sustainable employability (p. 51)
Relevant environmental matters (e.g. climate-related impacts)	A description of the policies pursued, including due diligence	Our performance: Environmental performance and responsible supply chain (p. 55)
	The outcome of those policies	Our performance: Environmental performance and responsible supply chain (p. 55)
	Principle risks in own operations and within value chain	Our performance: Environmental performance and responsible supply chain (p. 55)
	How risks are managed	Appendix 4: List of top risks (p. 198) Compliance and risk (p. 73) Appendix 4: List of top risks (p. 198)
	Non-financial key performance indicators	Our performance: Environmental performance and responsible supply chain (p. 55)
Relevant matters with respect for human rights (e.g. labor protection)	A description of the policies pursued, including due diligence	Our performance: Sustainable employability (p. 51) Procurement and suppliers (p.59)
	Principle risks in own operations and within value chain	Our performance: Sustainable employability (p. 51) Procurement and suppliers (p. 59) Appendix 4: List of top risks (p. 198)
	Non-financial key performance indicators	Maintaining effective risk management (p. 73)
Relevant matters with respect to anti-corruption and bribery	A description of the policies pursued, including due diligence	Our performance: Environmental performance and responsible supply chain (p. 55)
	The outcome of those policies	Our performance: Sustainable employability (p. 51) Compliance and risk (p. 73)
	Principle risks in own operations and within value chain	Our performance: Sustainable employability (p. 51) Compliance and risk (p. 73)
	How risks are managed	Our performance: Sustainable employability (p. 51) Compliance and risk (p. 73)
	Non-financial key performance indicators	Our performance: Sustainable employability (p. 51)
Insight into diversity (Board of Management and Supervisory Board)	A description of the policies pursued	Our performance: Sustainable employability (p. 51) Report by the Supervisory Board (p. 89)
	Diversity targets	Our performance: Sustainable employability (p. 51) Report by the Supervisory Board (p. 89)
	Description of how the policy is implemented	Our performance: Sustainable employability (p. 51) Report by the Supervisory Board (p. 89)
	Results of the diversity policy	Our performance: Sustainable employability (p. 51) Report by the Supervisory Board (p. 89)

#### Taskforce on Climate-related Financial Disclosures

KPN recognizes the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD) as an important step in providing transparency on climate strategy. We have

mapped TCFD elements to this report (see sections on environmental performance, responsible supply chains and related appendices). KPN's risk framework is described in the

chapter Compliance and risk (p. 73) and Appendix 4: List of top risks (p. 198) contains the list of top risks.

TCFD element	TCFD recommendation	KPN reporting on TCFD guidelines
Governance	Describe the governance of Board of Management related to climate-related risks and opportunities	Compliance and risk (p.73)
	Describe the role of management on the judgement and governance of climate-related risks and opportunities.	Compliance and risk (p.73) Appendix 4: List of top risks (p.198)
Strategy	Describe the climate-related risks and opportunities as described on short, midterm and long-term timeframe.	SWOT (p.10) Compliance and risk (p.73) Appendix 4: List of top risks (p.198)
	Describe the impact of climate-related risks and opportunities on business activity, strategy and financial planning of the organization.	Compliance and risk (p.73) Appendix 4: List of top risks (p.198)
	Describe the agility of the strategy, taking climate-related scenarios into account, amongst others a scenario to stay within the 2-degrees Celsius limit for global warming.	Our performance: Environmental performance and responsible supply chain (p.55) Compliance and risk (p.73) Appendix 4: List of top risks (p.198) We performed scenario analysis on long-term energy pricing taking the impact of CO <sub>2</sub> e-price regulation into account.
Risk Management	Describe the climate-related risks and opportunities as described on short, midterm and long term timeframe.	Compliance and risk (p.73) Appendix 4: List of top risks (p.198)
	Describe the processes the organization uses to manage climate-related risks and opportunities.	Compliance and risk (p.73) Appendix 4: List of top risks (p.198)
	Describe how processes for the identification, assessment and management of climate-related risks are integrated into the risk approach of the organization.	Compliance and risk (p.73) Appendix 4: List of top risks (p.198)
Indicators and objectives	Describe the organizational processes for identification and assessment of climate-related risks.	Compliance and risk (p.73) Appendix 4: List of top risks (p.198)
	Report on scope 1, 2 and 3 emissions	Our performance: Environmental performance and responsible supply chain (p.55)
	Report on performance to climate-related objectives	Our performance: Environmental performance and responsible supply chain (p.55)

### External assurance

EY was engaged as an independent assurance provider to perform an assurance engagement with the aim of obtaining reasonable assurance on CO<sub>2</sub>e emission data 2012 (scope 1 and 2) of own operations in the Netherlands and the underlying energy data as presented in this Report, and limited assurance on other sustainability information as disclosed in the following chapters and appendices:

- Chapters 'KPN at a glance', 'Our value for stakeholders', 'Our performance', 'Our valuable assets' and 'Tax and regulation'
- Appendices 2: Connectivity of non-financial information, 3: Transparency, materiality and stakeholder engagement, 5: Glossary, 6: Social figures, 7: Environmental figures, 8: Supply chain, 9: Tax overview for continuing operations per country, 10: GRI index

The key social and environmental figures, which are available in appendices 6 and 7, are also part of this report. This report provides more detailed numbers on key figures that reflect on high material topics within the report (such as CO<sub>2</sub>e emissions and electricity consumption). This report also contains prospective information, such as ambitions, strategy, targets and expectations. Inherent to this information is that actual future

results may be different from the prospective information and as such may be uncertain. Therefore, the assumptions and feasibility of this prospective information are not covered by the external assurance.

The Audit Committee approved every engagement of the external auditor, after pre-approval by the internal auditor, in order to avoid potential breaches of the external auditor's independence. For more details we refer to the Combined Independent Auditor's Report (p. 171).

### Reporting ambitions

KPN adheres to several reporting benchmarks, such as the Dow Jones Sustainability Index (DJSI) and the Carbon Disclosure Project (CDP). In this way, our performance and way of reporting can be compared to peers and expectations from the industry and other stakeholders. Reporting ambitions for the coming years are: to keep reporting in line with the IIRC framework and in accordance with GRI standards; to keep reporting on high material topics; to report more on qualitative and quantitative value creation for society; and to maintain a leading position in several benchmarks like the DJSI and CDP.

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### Scoping and calculation methodologies for environmental figures

#### Scoping and calculation of reported emissions

The report includes reporting on CO<sub>2</sub>e emissions in the chapter Our performance: Environmental performance and responsible supply chain (p. 55) and Appendix 7: Environmental figures (p. 213). Reporting is done in accordance with the guidance and standards of the Greenhouse Gas Protocol and the ISO 14064-1 standard. KPN uses the operational control approach when reporting CO<sub>2</sub> emissions. Carbon dioxide (CO<sub>2</sub>) is the most relevant greenhouse gas for KPN. Where available, CH<sub>4</sub> and N<sub>2</sub>O are taken into consideration in the greenhouse gas emissions information. The term 'CO<sub>2</sub>e-emissions' is used to refer to the greenhouse gas emissions reported on. These are stated in CO<sub>2</sub> equivalents. The emissions report is subdivided in scope 1-3 as set out below.

#### Scope 1 – Direct emissions

- Fuel consumption of the lease vehicle fleet (employees' passenger vehicles and commercial vehicles)
- Heating of buildings (gas)
- Consumption of coolants for air conditioning and/or cooling
- Fuel consumption of emergency power generators

#### Scope 2 – Indirect emissions

- Electricity consumption of the fixed and mobile networks, data centers, offices and shops
- District heating
- District cooling

The accuracy of the electricity consumption data is a key factor in the reliability of the CO<sub>2</sub>e emissions calculations. In the data-collection process, a number of factors affect the accuracy of the collected data. In general, data originating from direct measurements and recordings or invoices, including measurements from third parties, are the most accurate.

The net Scope 2 emissions are market-based and calculated based on the tank-to-wheel (TTW) CO<sub>2</sub>e emissions factors for renewable electricity. For renewables (wind, biomass, solar), the TTW values are all zero. The CO<sub>2</sub>e emissions of the well-to-tank (WTT) phase are accounted for in our Scope 3 emissions (category 3 – fuel and energy-related activities). Due to new Dutch reporting principles on determining the carbon emissions

of the average gridmix the CO<sub>2</sub>e value (gram CO<sub>2</sub>/kWh) of the gridmix is increased. 2020 is calculated with the new value and previous years are restated. Both the location-based and market-based Scope 2 emissions are published in Our performance: Environmental performance and responsible supply chain (p. 55).

Electricity providers estimate the consumption for part of our network operations - as monthly meter readings are not always conducted - so there is some uncertainty around the accuracy and completeness of our energy consumption. To improve the accuracy, transparency and reliability of our energy data, we are migrating to remote readable meters, reviewing administrative processes and updating profiles with our electricity providers.

#### Scope 3 – Other indirect emissions:

- Emissions in the upstream value chain (during the production phase of products, services and equipment at suppliers).
- Emissions in the downstream value chain (during the use phase, including recycling and disposal of the products, services and equipment)

The results are presented in Our performance: Environmental performance and responsible supply chain (p. 55), and in Table 7 of Appendix 7: Environmental figures (p. 213). We have used two main methodologies to calculate Scope 3 emissions: the spend-based method, which takes procurement data and calculates the emissions within an environmentally extended input output (EEIO) model to assess the emissions, and the process-based method, which uses quantity-based data to evaluate the emissions associated with specific activities, e.g. kWh of energy usage or quantity of materials purchased to manufacture goods. In both cases, we used actual data covering January to November, extrapolating it to a full year.

All parameters used in the Scope 3 calculations are checked annually whether new values are available or not. We have updated the grid mix (see scope 2). Suppliers with zero net emissions are assessed and adjusted accordingly. The table below describes the calculation of emission methods, coverage and assurance. We improved in 2020 the CAT13 calculation method using the number of customers instead of the number installed devices. This gives a more accurate and reliable figure of the electricity consumption and corresponding carbon impact of the installed base.

Scope CO <sub>2</sub> e	Standard	Scope	Coverage	Approach	Location- / Market-based	Assurance	Emission factor / Green energy
Scope 1	GHG Protocol Scope 1 Guidance	KPN Group	98% of all KPN business units and subsidiaries (Opex/FTE)	Operational control approach	Location-based	NL: Reasonable	co2emissiefactoren.nl version 4-1-2021 Gold standard & REDD+ forest compensation projects
Scope 2	GHG Protocol Scope 2 Guidance	KPN Group	98% of all KPN business units and subsidiaries (Opex/FTE)	Operational control approach	Location-based	NL: Reasonable	co2emissiefactoren.nl version 4-1-2021 100% green electricity
Scope 3 Cat: 1, 2, 5, 9	GHG Protocol Scope 3 Guidance	Netherlands	98% of all KPN business units and subsidiaries (Opex/FTE)	Spend-based (Environmentally Extended Input Output data (EEIO) approach)	Location-based	Limited	UK DEFRA 2014 (Indirect emissions from the supply chain) and CBS Statline The EEIO-factors are corrected for inflation.
Scope 3 Cat: 3, 6, 7, 11, 13	GHG Protocol Scope 3 Guidance	Netherlands	98% of all KPN business units and subsidiaries (Opex/FTE)	Process- and activity-based	Location-based	Limited	co2emissiefactoren.nl version 4-1-2021
Scope 3 Cat: 4, 8, 10, 12, 14, 15	GHG Protocol Scope 3 Guidance	Netherlands	98% of all KPN business units and subsidiaries (Opex/FTE)	Not applicable for KPN	Not applicable	Limited	Not applicable

**Energy consumption and carbon emissions avoided through customers using our IT solutions**

The calculation of avoided energy consumption, CO<sub>2</sub>e emissions and cost reduction for customers is based on models per service.

The results are presented in Our performance: Environmental performance and responsible supply chain (p. 55) and in Table 9 of Appendix 7: Environmental figures (p. 213).

Avoided energy consumption	Kind of avoidance (most impact)	KPN measurement	Source external information
Teleworking (enabled by KPN connectivity)	Avoided travel	Market share of broadband subscribers based on Telecompaper Research	Publicly available statistics and reports from Statistics Netherlands, Kennisinstituut voor Mobiliteitsbeleid, ECN, Netbeheer Nederland, Milieu Centraal, Telecompaper and other sources
KPN audio conferencing	Avoided travel	Number of audio conferences; average number participants per meeting	Publicly available statistics and reports from Statistics Netherlands, Kennisinstituut voor Mobiliteitsbeleid, British Telecom and CarbonTrust
KPN hosting	Electricity savings	Volume-hosting services	Statistics Netherlands
Dematerialization	Energy and raw materials savings	CD and DVD papers avoided by e.g. Spotify, Netflix	NVPI, Sociaal en Cultureel Planbureau, SVDJ, RVO, CE Delft, WWF and, CarbonTrust
iTV cloud solution	Energy and raw materials savings	Number of customers, energy consumption KPN Cloud for iTV	Stichting KijkOnderzoek
KPN video conferencing	Avoided travel	Number of video conferences; average travel savings per meeting	Statistics Netherlands' research on movement in the Netherlands

We used actual data covering January to November in the calculation, extrapolated for the full year. All parameters are annually checked by KPN for updates. Navigant Consulting has performed a sanity check on the savings calculation of Teleworking how the COVID-19 impact is implemented in the model. For the parameters saved on office space and the extra electricity and gas consumption at home when working at home (rebound effect), the values used in the teleworking savings calculation are based on averages. We use the average between the lowest and highest reported value in reports and research. Cost savings are based on the average fuel, electricity and gas prices published by Statistics Netherlands and Milieu Centraal.

**Scope and calculations for KPI % reuse and recycling**

The KPI % reuse and recycling covers the outflow of KPN materials and waste destined to be reused, recycled, incinerated or landfilled. This means the scope includes, but is not limited to:

- Regular waste streams from KPN offices and operations
- Obsolete (end-of-use) equipment and inventory coming from KPN operations, offices and shops
- Obsolete (end-of-use) customer-premises equipment and mobile phones that are collected via KPN return programs and processed by KPN or on KPN's behalf

The scope therefore does not include obsolete (end-of-use) customer-premises equipment, mobile phones and related

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packaging that are not collected via KPN return programs. In this case, the customer is responsible for disposing of this in accordance with the law, regulations and local waste-collection procedures.

The outflow of materials and waste is reported in table 10 of Appendix 7. The following disposal methods are reported with reference to GRI-306-2: reuse (i), recycling (ii, iii), incineration (iv, v) and landfill (vii). The other disposal methods, i.e. deep well injection (vi), on-site storage (viii) and other (ix), do not apply. The waste disposal method is mostly determined by selected service partners and their waste-disposal contractor, which are challenged on methods and performance. As part of our circular ambitions, we promote reuse over recycling and incineration with energy recovery over landfill to minimize ecological impacts. Service partners report the waste volumes (tons) on a quarterly basis. These volumes are allocated to the four types of disposal method based on processing rates (%) from direct information or public information. The KPI % reuse and recycling is then calculated by dividing the tons reuse and recycling by the total volume.

### Other calculation methodologies

#### RepTrak

RepTrak has been developed by the Reputation Institute and is used as a method to calculate the reputation score of companies worldwide. The RepTrak methodology also measures the drivers of reputation and the consequences for supportive behavior. The Reputation Institute's policy is to adjust all RepTrak scores by standardizing them against the aggregate distribution of all scores obtained from the Reputation Institute's Annual Global RepTrak Pulse. Standardization has the effect of lowering scores in countries that tend to over-rate companies, and has the effect of raising scores for companies in countries that tend to rate companies more negatively. All RepTrak scores are culturally standardized. This means that all RepTrak results are comparable across countries, industries and over time. Every month, the progress on the key attributes that stimulate reputation and supportive behavior is measured.

The results are based on a minimum of 300 respondents per company each quarter. The data collection method is an online interview of 20 minutes. The qualified respondents have to be familiar or very familiar with the company. The Reputation Institute started using an updated cultural bias adjustment procedure on 1 January 2011, whereby the cultural adjustment analysis was rebased based on the latest reputation scores. Because KPN was already in the middle of setting KPIs, we asked the Reputation Institute to report KPN's reputation scores using the 'old' cultural bias adjustment analysis. Hence, this report shows 'unrebased' reputation scores for KPN. KPN reports the fourth quarterly average in the report.

#### Net Promoter Score (NPS)

We use NPS as the leading indicator to measure customer loyalty. The NPS results included in this report are calculated and provided by a leading market-research company in the Netherlands. NPS is based on direct customer input, with the key question being whether a customer would recommend KPN to someone else. Depending on the score they give, the customer is classified as a 'promoter' or a 'critic'. The NPS is calculated by subtracting the percentage of 'critics' from the percentage of 'promoters'. The result is displayed as an absolute number instead of a percentage, within a range of -100 to +100.

In this report, all NPS results refer to Q4 of the respective year, based on a three-month rolling average (December 2020 is based on October 2020, November 2020 and December 2020). The NPS Consumer and NPS Business reflect a weighted average based on 2018 revenues. NPS Business combines this with EBITDA margins for segments.

### Materiality and stakeholder engagement determination

#### Materiality

The annual materiality assessment ensures KPN is aware of what is happening around us, where we can have an impact and how we can add focus to our efforts. We conducted an extensive assessment in 2018. This assessment consisted of both an internal consultation held with employees, representing all sections of KPN, as well as an online survey sent to over 2,500 external stakeholders, representing various stakeholder groups. The outcomes resulted in a list of material topics, which was aligned with the guidelines and standards of the Global Reporting Initiative (GRI). We conducted a review process in 2020, based on the 2018 and 2019 results. The process for this consisted of three steps, detailed below.

#### Step 1: Review relevance topics for 2020

We applied the same definition of materiality as in 2019 to ensure alignment with the GRI minimum requirements, while incorporating insights from other reporting initiatives. For this report, the definition applied for a material topic is any topic that significantly influences the organization or on which the organization has a significant impact with its activities. This includes positive and negative and direct and indirect influences (risk/opportunity) and impact.

Through a standards, peers, trend and media analysis, we concluded that the 2019 list of topics provided a complete basis for the 2020 report. Furthermore, we conducted an email consultation and several interviews with internal stakeholders to review the context relevance and gain qualitative input on the role and responsibility stakeholders expect of KPN in relation to the topics.

We added one topic after the consultation with stakeholder representatives and adjusted the definition of another topic. These were added to the long list of topics for step 2, which already included the existing topics and definitions.

### Step 2: Review impact relevance and maturity

For the second step, to assess the relevance of topics in a KPN context, we conducted an email consultation of internal KPN

representatives, followed by an interactive online session to gain qualitative input on the relevance of the topics in terms of risk and opportunity. The outcomes resulted in the below list of adjustments, additions and combinations of topics resulting from step 1 and 2.

Fair access to KPN fixed network - input from step 1	New topic as a result of input from stakeholder representatives and discussion of the topics competition and regulation stemming from the completeness analysis.
Customer interaction - input from step 1	Adjusted definition/impact based on KPN's customer journey and brand identity developments.
Social community investments	Adjusted topic title and scope of definition based on reconsideration of KPN's social responsibility measures (beyond KPN's core business) in relation to COVID-19.
Responsible operations	Adjustments in definition scope, broadening the focus of KPN's responsibility towards health and safety of people in or affected by KPN's operations.
Sustainable ICT solutions	Combined topics 'Sustainable ICT solutions' and 'Innovations in products and services'; participants felt that the impact of these topics was similar.
Environmental performance	Combined topics 'Energy use' and 'Circular operations'; even though the impact and focus of these topics differs in term of KPN influence, participants felt that KPN's environmental performance was not given enough importance as a separate topic and that the topics should therefore be combined.
Attractive working conditions	Combined topics 'Professional development opportunities' and 'Employee diversity & equal opportunity' into 'Attractive working conditions' would better cover the topic of employee wellbeing which, according to the participants, was not highlighted enough on the shortlist.

Participants also provided input on the internal scoring, resulting in the below matrix. The combination of the horizontal axis and the vertical axis determines the degree of impact that KPN has on the topic in society. KPN divides the results into these categories:

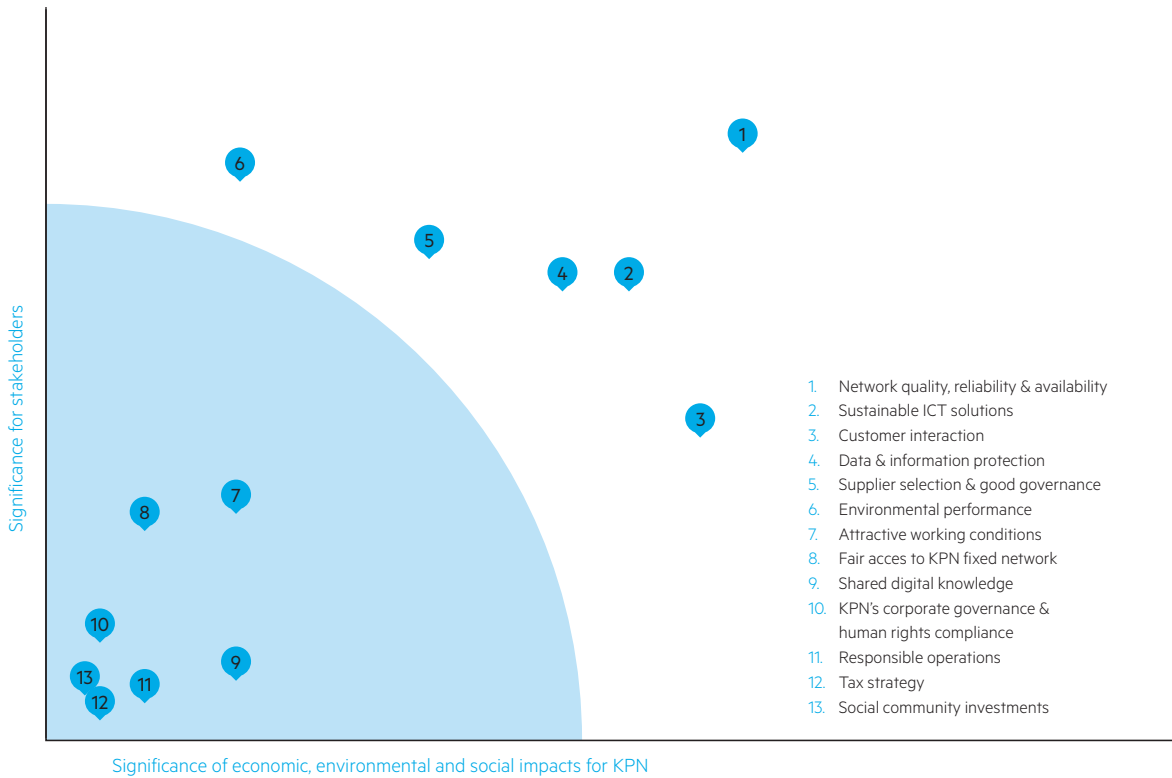
- Material topics: we aim to fulfill a leading role on these topics by developing policies, setting targets and defining KPIs to monitor and report on our impact.

- Other topics: we want to demonstrate our social responsibility in these areas, and although we monitor these topics, our reporting on them is more concise.

In order to see where GRI topics are translated into KPN topics, please see the cross reference in Appendix 2 Connectivity of non-financial information.

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KPN materiality matrix 2020



**Step 3: Approval and integration in the report**  
 Based on the priority outcomes of the materiality analysis, approved by the Board of Management, we determined which

material topics would be addressed in the report, including the scope and aspect boundaries of all topics. The definitions per topic are described in the below table.



Topic 2019	Topic 2020	Definition
Network quality, reliability & availability	Network quality, reliability & availability	The impact the quality and reliability of KPN's networks have on the accessibility of high-speed internet - and therewith the availability of critical communications (short-term) and the contribution to growing economic and social activity (long-term).
Sustainable ICT solutions / Innovations in products and services	Sustainable ICT solutions	The impact that KPN has with his digital product innovation and future-proof technologies on the acceleration of digitalization and reduction of GHG emissions
Customer interaction	Customer interaction	The impact honest, transparent and relevant communication and marketing (in line with brand identity) has on the sense of appreciation of customers
Data & information protection	Data & information protection	The impact KPN's data protection has on safeguarding the privacy & identity of customers & employees
Supplier selection & good governance	Supplier selection & good governance	The impact that KPN's selection of suppliers has on Dutch society and the impact good governance among KPN's suppliers and respected human rights have on local communities
Energy use / Circular operations	Environmental performance	The impact KPN's energy use for own operations (technologies, networks) and circular approach (sourcing of virgin materials, extended product use, high end second life of product and materials) has on the circular economy, biodiversity and climate change.
Professional development opportunities / Employee diversity & equal opportunity	Attractive working conditions	The impact that providing attractive and fair working conditions (professional development, health & safety, diversity & equality promoting measures) has on KPN's workforce employability, well being and welfare
Topic not existing in 2019 assessment	Fair access to KPN fixed network	The impact that being a decent company and offering fair access to KPN's fixed network (non discriminatory treatment access seekers) has on KPN's competition position
Shared digital knowledge	Shared digital knowledge	The impact KPN has with sharing his knowledge on digital technologies, on preparing and influencing people and society (government) for a digital future.
KPN's corporate governance & human rights compliance	KPN's corporate governance & human rights compliance	The impact that responsible governance (e.g. anti corruption, anti fraud, anti money laundering) and respected human rights (e.g. related to child labour, bonded labour, safety hazards) have on business continuity and trust.
Responsible operations	Responsible operations	
Tax strategy	Tax strategy	The impact of a tax strategy that is compliant with all relevant laws, regulations and international standards that strives to the most tax efficient and responsible approach in the interest of all stakeholders of KPN.
Community investment and sponsoring	Social community investments	The impact KPN's social / community investments on digital access (information and communication technologies) and sponsoring have on digital and social inclusion of everyone and anywhere.

**Stakeholder dialogue**

KPN is in continuous dialogue with a diverse set of stakeholders, with equally diverse interests and motivations. These dialogues take place on different levels within our organization and are often

a part of our daily business. Members of the Board of Management attend the most important stakeholder dialogues, in which a variety of stakeholders are present. The below table provides insight into all the interactions we had with different stakeholders.

Stakeholder group	What they expect	How we engage (incl. frequency)	Main topics in 2020	Our response
Employees	<p>Employees expect us to provide opportunities to develop in a dynamic workplace. For them, this translates to an attractive, effective and inspiring work environment (physical, technology, learning and development); simplicity in data, organization, technology and processes; transparency in the organization, and from leadership, a recognizable culture and values, and excellent development opportunities.</p> <p>New generations expect generational awareness, dynamic career perspectives, continuous feedback, mentoring and coaching, empowerment, purpose and agility.</p>	<p>To some, the changing conditions in the world and the labor market may feel like a threat. That is a natural reaction and we see it as our responsibility as an employer to both create awareness of the consequences of the fast-changing environment and encourage and enable people to seize the opportunities this offers. In the long run, KPN's HR function will increasingly be using data, digital tools and robotization &amp; AI to create an employee experience that responds to increasing consumerism and will result in alternative employment relations.</p>	<ul style="list-style-type: none"> <li>Save and COVID-19 proof work environment for all employees</li> <li>Leadership based on our leadership profile – giving purpose, engaging people, delivering performance.</li> <li>Maximize internal mobility with continuous support on personal development</li> <li>Strategic workforce management that focuses on future skills and capabilities, rationalization and standardization, contract independent sourcing and capacity planning</li> <li>A future-proof organizational design with room for authenticity, diversity and inclusiveness</li> <li>New way of performance management with maximal room for personal development</li> </ul>	<ul style="list-style-type: none"> <li>Create a safe and digital work environment, with attention for the psychological and mental wellbeing of our employees</li> <li>Continuous investment and development of our employees with a enlarged digital L&amp;D offer</li> </ul>

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Stakeholder group	What they expect	How we engage (incl. frequency)	Main topics in 2020	Our response
Government and regulators	<p>The government and regulators expect us to comply with the rules and regulations and meet the requirements for licensing. They also expect us to be climate responsible and transparent in our communication.</p> <p>One of their goals is to create a level playing field and protect the interests of end-users.</p> <p>They expect us to run infrastructure and services considered as very important to the Dutch economy and Dutch society at large and to create coverage of high-speed networks, wireless and wireline.</p>	<p>We proactively engage with the government and regulators. We engage in a continuous dialogue to explain our efforts and results.</p> <p>Furthermore, we work together with (local) governments on innovation (e.g. IoT) projects, generating energy and cost savings.</p>	<ul style="list-style-type: none"> <li>• Avoiding non-compliance</li> <li>• Integrity and transparency</li> <li>• Concerns intensified concerning national cybersecurity throughout 2020.</li> </ul>	<ul style="list-style-type: none"> <li>• We continued our compliance efforts through programs such as optimizing our business control system, external reviews, benchmarking, enhanced compliance training and top management meetings</li> <li>• We work continuously to meet compliance requirements through clear and practical legal advice, clear operational procedures, related control mechanisms, and clear and safe ways to report potential misconduct</li> <li>• We interact closely with ACM in relation to compliance, incidents and potentially different views on the interpretation of the law</li> </ul>
Investor community	<p>The investor community – financial markets in general, our shareholders, debt investors and research analysts – expects us to be extensive and transparent.</p> <p>We should be clear and consistent in communicating our financial and operational performance, strategy, objectives, and outlook, and transparent about environmental, social and corporate governance topics, including executive remuneration.</p> <p>Their main interest is our commitment to creating value. They want timely and accurate updates and ample opportunity to seek clarification and ask questions.</p>	<p>We organize key corporate events such as the Annual General Meeting of Shareholders and Capital Markets Days, and we meet with (potential) investors, analysts and credit rating agencies during (virtual) roadshows and conferences.</p> <p>We also provide relevant company information through timely press releases and regular publications such as our quarterly results and Integrated Annual Report.</p>	<ul style="list-style-type: none"> <li>• Potential changes in strategic direction following management changes late last year</li> <li>• Accelerated rollout of fiber leading to potentially higher Capex</li> <li>• The effect of COVID-19 on operational and financial performance and liquidity position</li> <li>• KPN's brand strategy and effect on operational KPIs.</li> <li>• Continued declining revenues, with growing adjusted EBITDA after leases</li> <li>• Continued subdued free cash flow performance impacted by investments in working capital</li> <li>• Regulatory uncertainty from annulment of significant market power by court, but possibly renewed fixed access regulation from European Electronic Communications Code</li> </ul>	<ul style="list-style-type: none"> <li>• Organized a virtual Strategy Update positioning the strategy for the coming years as an acceleration of some key strategic items rather than a new strategic direction</li> <li>• Highlighted that total Capex will peak at € 1.2bn in 2021 with fiber Capex increasing to € 450-500m, partly offset by a continued decline of non-fiber Capex. Indicated that total Capex will be in the range of € 1.1-1.2bn in 2022 and 2023</li> <li>• Outlined the impact of COVID-19 in quarterly results disclosure with qualitative impact on key trends and quantitative impact on key financial items</li> <li>• KPN's brand strategy and flexible KPN Husel proposition are aimed at driving value per household by focusing on the flagship KPN brand and fixed-mobile convergence</li> <li>• Revenue trend is driven by strategic decisions (customer migrations) and COVID-19. Strong cost management led to substantial indirect opex savings in 2020, supporting growing adjusted EBITDA after leases</li> <li>• Negative change in working capital is partly driven by installments paid to fiber contractors, by lower opex due to continuous cost savings, and by different Capex phasing compared to 2019. We realized free cash flow (excl. TEFD dividend) of -€750m and continued growth of regular dividend per share in 2020</li> <li>• KPN's fixed access network is no longer regulated, however KPN has reconfirmed its open wholesale policy based on its voluntary offer and the long-term contracts it has in place with several parties</li> </ul>

Stakeholder group	What they expect	How we engage (incl. frequency)	Main topics in 2020	Our response
Suppliers	<p>Our suppliers expect to maintain a long-term commitment and cooperation with us. Furthermore, they expect simple contracts, fair prices, acceptable payment terms and compliance with the core principles of data protection. Together we should look for opportunities regarding sustainable cost reduction.</p>	<p>KPN has a central corporate procurement organization that is responsible for contracting deals with suppliers. We make sure the principles of our suppliers' CSR policies are in line with our own. We are constantly in touch with our suppliers and invite them to our annual Supplier Day. We increasingly partner with them on sustainable solutions.</p> <p>We are also a member of the Joint Audit Cooperation (JAC), an association of 17 telecom operators that aims to verify, assess and develop CSR implementation across the manufacturing centers of important multinational suppliers.</p>	<ul style="list-style-type: none"> <li>We adjusted our procurement policy in 2020, introducing a new process for suppliers from non-EU countries, mainly to assess potential geopolitical risks involved. One of the reasons we set up this non-EU suppliers procedure was the increased impact of geopolitical issues on international business in the past few years.</li> </ul>	<ul style="list-style-type: none"> <li>Together with our suppliers we implemented sustainable solutions which resulted in cost reductions, as well as reductions in energy and material use.</li> <li>We aim for all suppliers we do business with to comply with the KPN Supplier Code of Conduct or have their own equivalent code. Our Code of Conduct helps to ensure that all our suppliers are committed to conducting their business in a manner that is ethical, legal, environmentally friendly, respectful of human rights and socially responsible, and adheres to JAC standards too.</li> <li>KPN has integrated the EcoVadis Scorecard. This is an evaluation of how well a company has integrated the principles of CSR into their business and management system. The assessment is part of our tender process. The scope criteria are across four themes: environment, labor &amp; human rights (Employee Health &amp; Safety, Working Cond., Soc. Dialogue, Child Labor, Forced Labor &amp; Human Trafficking, Diversity, Discrimination and External Stakeholder Human Rights, ethics &amp; sustainable procurement. If the outcome of the assessment is &lt;35 points, the supplier must draw up an improvement plan in order to mitigate identified risks for the purpose of achieving a score of the least 35 points in a later assessment.</li> </ul>
Business customers	<p>Customers expect KPN to help them with the digital transformation within their companies. They want sincere and proactive advice that meets their specific needs.</p> <p>Business customers also expect effortless IT solutions and there is a growing customer demand for continuous accessibility, as well as fast and reliable fixed and mobile connections. When problems do occur, they expect KPN to solve them adequately and demonstrate customer-centric behavior.</p>	<p>We talk to our business customers every day via account managers, service managers, in our XL stores, our contact centers and our Business Partners.</p> <p>We give customer the opportunity for 'Advies op Afstand', an online video solution for contact.</p> <p>We also engage with them through customer panels, quarterly market research and workshops connecting customers' strategies with KPN, as well as social media through our B2B platform, The Digital Dutch.</p> <p>We engage through our Customer Experience Lab in which we test the needs and experience of the customers.</p> <p>We closely monitor our business customers' satisfaction and loyalty through NPS.</p>	<ul style="list-style-type: none"> <li>Digital Dutch Experience</li> <li>Improve customer experience &amp; loyalty</li> <li>Migrations of customers to our target portfolio</li> </ul>	<ul style="list-style-type: none"> <li>We started a large-scale roll-out of fiber broadband including high-speed internet business parks</li> <li>We continue to inspire our customers with our online Digital Dutch platform. We co-create content with our customers to inspire others with our customers in the podcast Digital Heroes and proactively engage with our customers in other Dutch forums</li> <li>Growth in professional services supported by integrated solutions at KPN's larger customers</li> </ul>

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Stakeholder group	What they expect	How we engage (incl. frequency)	Main topics in 2020	Our response
Retail customers	Our retail customers expect high-quality products and services for the right price. This includes failure-free networks, clear propositions and processes, a quick and proper response to questions and complaints and good communication. They want sincere and proactive advice about the best possible subscriptions that meet their needs. They also want their loyalty to be acknowledged and appreciated.	We communicate 24/7 with our customers on our front ends (through customer service, our engineers, in our stores and on social media). We collect and monitor both requested and unrequested customer feedback on a daily basis and share these customer voices throughout the company. We also use external panels for our Brand NPS and RepTrak to objectively monitor our reputation.	<ul style="list-style-type: none"> <li>• Always being connected</li> <li>• A seamless and easy digital experience</li> <li>• Sustainability</li> <li>• Best proposition for households</li> <li>• More use of our networks and more use of customer service due to COVID-19</li> </ul>	<ul style="list-style-type: none"> <li>• We continued the roll-out of fiber broadband, for both existing, new and future customers</li> <li>• We further improved our digital experience</li> <li>• We launched new iTV software with new customer UI</li> <li>• Due to COVID-19 and the related uptake in the use of our network and customer service, we did everything to keep all customers connectedher improved our digital experience</li> </ul>
Society	Society expects us to have a positive influence on Dutch society. They expect us to be socially and environmentally responsible and to be a good corporate citizen. They want products and services that help to solve social and environmental issues. They also expect us to be a frontrunner in sustainability and other societal issues by creating sustainable partnerships. KPN has the potential to lead debates, e.g. on privacy and the data use.	We are active in working groups initiated by NGOs and participate in or liaise with organizations such as the European Telecommunications Network Operators' Association (ETNO), the International Telecom Union (ITU), the United Nations Global Compact Foundation, the Dutch Association of Investors for Sustainable Development (VBDO), the ICT Coalition and Circle Economy. Furthermore, we organize an annual meeting with stakeholders to discuss our contribution to society and the desired next steps	<p>Topics discussed with our societal partners were:</p> <ul style="list-style-type: none"> <li>• How can KPN enforce the beneficial effects of the increased digitalization (a.o. working from home) and safeguard the beneficial environmental effects</li> <li>• How to interact with suppliers on the living- wage standard</li> <li>• What actions does KPN take to stimulate diversity and reduce the gender pay gap</li> <li>• Taking the next step to develop impact measurement</li> </ul>	<ul style="list-style-type: none"> <li>• We developed a new Way of Working that we also promote outside KPN</li> <li>• We put Living Wage on the agenda of JAC and made it a proposal to act upon.</li> <li>• We introduced a recruitment approach aimed at diversity and did an investigation on the existing gender pay gap</li> <li>• We carried out a branch-wide impact study on climate and on employees and we published a handbook on impact measurement for network organizations.</li> </ul>

**How we engage with policymakers**

KPN actively engages with policymakers in politics and government, and sponsors activities that help to generate public debate around the consequences of digitalization, as well as develop actions to address them. For KPN, as a predominantly Dutch operation, policy is primarily shaped in Brussels and The Hague. The focus of our engagement is therefore aimed at policy makers in these cities. To increase relevance with policymakers, our aim is to cooperate as much as possible with other like-minded companies. As such, KPN participates in trade organizations active in the Netherlands as well as at a European level, and contributes to these organizations.

These contributions account for the majority of the disclosed amounts. The sums apportioned to Brussels are part of the sums disclosed in the Transparency Register to which KPN has subscribed from the start. The Transparency Register also encompasses an estimation of cost of staff. KPN also participates in global organizations like GSMA, which aims to develop the mobile industry worldwide, and which engages with policymakers in Europe and elsewhere, too.

Finally, KPN contributes to ITU, which is a standardization body and a United Nations Agency, but which is not a trade organization and therefore is not included in the sums presented.

KPN does not financially, or in any other way, support political parties or candidates for political positions. KPN does engage with national and regional authorities through knowledge-sharing to facilitate informed regulatory policy measures. KPN contributes to sector organizations representing the interests of KPN in specific fields. Management upholds strict standards on ethical and transparent behavior.

Employees who are politically active must ask for permission if they have paid political functions, e.g. as a member of municipal or regional councils. In the past, KPN's policy has always been to approach policymakers directly. KPN does not use external public affairs agencies to speak on its behalf.

KPN presents the amount of money spent on public affairs in three categories. KPN does not disaggregate these figures further, as we are not at liberty to divulge the contributions to individual organizations.

Type of Trade organization	Geographic scope	Spend in 2020 in EUR	Focus of membership (non-exhaustive)
Trade bodies representing the interests of mobile operators worldwide	Global	173,354	Develop the mobile industry worldwide with a focus on a level playing field and predictability of the law. Create common standards and encourage sustainable innovation
Trade body representing Europe's telecommunications network operators	European Union	65,789	Create a level playing field within the EU based on an unambiguous and predictable legal situation Focus on the European Electronic Communications Code, the General Data Protection Regulation, ePrivacy, and the Privacy Shield
Trade body representing industry and employers in the Netherlands	The Netherlands and the European Union	415,565	Monitor and influence nationwide issues that are of importance across sectors, e.g. include creating a prosperous investment climate, fiscal climate, social agenda and a digital agenda
Trade association for IT, telecom and internet companies	The Netherlands	38,115	Monitor, influence and increase awareness of (issues in) the digital economy, e.g. on continuity and security and privacy
Trade association in the technology industry	The Netherlands	136,125	Monitor and influence national policies in particular for the manufacturing industries, such as health care, metallurgy, microconductor industry, and the digital industry
Trade association for the positioning of the Netherlands defense- and safety-related industry	The Netherlands	42,308	Monitor and influence national policies specifically in the field of national security
Trade body and knowledge center representing commercial users of electricity and water in the Netherlands	The Netherlands and the European Union	27,302	Representing the interests of small, medium and larger organizations that use water and electricity on a professional basis
Trade body representing the interests of the cybersecurity sector	The Netherlands and the European Union	15,000	Aims to increase the digital resilience of the Netherlands and to increase the quality and transparency within the growing cybersecurity sector
Platform for businesses in the Benelux region	Benelux and the European Union	11,000	Platform for businesses in the Benelux, identifying areas where, from a business perspective, closer collaboration and integration is required
Coalition formed to stimulate AI	The Netherlands	18,150	Coalition bringing together organizations to facilitate an organized approach with regard to Artificial Intelligence
Platform for information society	The Netherlands	24,200	Neutral platform where government, knowledge institutions, business and civil society organizations collaborate on public-private partnerships and share knowledge about the responsible design of our digitalizing society
Cluster in the security domain	The Netherlands	24,200	Network of businesses, governments and knowledge institutions, that work together on knowledge development and innovation in security
Association for data-driven marketing	The Netherlands	13,098	Association advocating responsible data-driven marketing, unlocking the potential within the regulatory framework