



Her decisiveness and team coordination helped TNT rapidly reconfigure a customer's product export supply chain.

Conny van Regenmortel Regional Account Manager
TNT Express | China



CORPORATE

GOVERNANCE

BOARD OF MANAGEMENT

Our company is managed by a Board of Management, which is responsible for the management of our company, our overall results, as well as our company's mission, vision and strategy. At present, our Board of Management consists of five members: a chief executive officer, a chief financial officer and three group managing directors. The management from each of our divisions is responsible for the day-to-day business decisions in conjunction with the divisional management boards and for the development and execution of business strategy of that division within the framework set by our corporate strategy.

Our Board of Management is firmly committed to managing our company in a structured and transparent fashion. Our aim is to provide stakeholders with a clear view on corporate decisions and decision-making processes. We have a divisional structure across countries and regions, except for China where we currently operate as one unit. Value-based management provides us with an additional framework for forward-looking management of the company based on objective criteria.

Our reporting structure is in line with the management supervision of distinct business activities, and our corporate legal structure has largely been brought in line with our reporting structure. Responsibility for implementing and ensuring the continued effectiveness of business controls lies with management. The success of these business controls is measured by management review, management self-assessment and internal audits conducted by our corporate audit services department. Management of designated business activities and corporate audit services report on the strength of financial processes and internal controls to the Board of Management and the audit committee of the Supervisory Board.

The Board of Management performs its activities under the supervision of the Supervisory Board. In performing its duties, the Board of Management acts in accordance with the interests of our company and the business connected with it and, to that end, is required to consider all appropriate interests associated with our company. The Board of Management must in due time provide the Supervisory Board with all information necessary for the proper performance of its duties. In addition, the Board of Management is required to provide the necessary means, allowing the Supervisory Board and its individual members to obtain all information which is necessary for them to be able to function as a supervisory body of our company. In its communication with the Supervisory Board the Board of Management supports full transparency.

Our Board of Management is responsible for complying with all relevant legislation and regulations, for managing the risks associated with our company's activities, for our financing and external communication. Our Board of Management is required to report related developments to, and discusses the internal risk management and control systems with our Supervisory Board and its audit committee.

Representative authority, including with respect to the signing of documents, is vested in at least two members of the Board of Management acting jointly, as well as any other officers of our company as our Board of Management may appoint, subject to any restrictions imposed. The chief executive officer may exercise representative authority and sign documents in his individual capacity.

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

Members of the Board of Management are appointed and can be suspended or dismissed by the Supervisory Board. Share ownership is not required to qualify as a member of the Board of Management.

Our Board of Management has formed two committees to aid compliance with applicable corporate governance requirements: the disclosure committee and the ethics committee.

The disclosure committee assists our Board of Management to ensure that our disclosures in all filed reports are accurate, complete, timely, understandable and that they fairly present the condition of the company in all material respects. The terms of reference of the disclosure committee can be viewed on our website, but do not form part of this report.

The ethics committee is to ensure full compliance with our TNT Business Principles, our whistleblower policy and procedure, our fraud prevention procedure and other internal procedures. The ethics committee reports on a monthly basis to our Board of Management, on a quarterly basis to the audit committee and to the chairman of the Supervisory Board when required or requested. The terms of reference of the ethics committee can be viewed on our website, but do not form part of this report.

REMUNERATION

For detailed information concerning the remuneration of our Board of Management, see the remuneration report in chapter 9. The remuneration report, which includes the remuneration policy for our Board of Management, can also be viewed on our website. The information on this website does not form part of this annual report. The remuneration policy was initially adopted by the annual general meeting of shareholders on 7 April 2004. At the annual general meeting of shareholders, which took place on 7 April 2005, the following proposals to change certain aspects of the remuneration policy were adopted:

- the introduction of non-financial performance measures for our short term incentive plan to support sustainable performance and to ensure that we are accountable for our role in society, and

- the conversion from granting options to performance shares to better align the reward of the members of the Board of Management with the creation of shareholder value and to strengthen the commitment of executives to the company and its objectives.

Our Supervisory Board has adopted a policy concerning the ownership of and transactions in securities other than our securities by members of the Board of Management and the Supervisory Board. This policy is incorporated in the by-laws of the Board of Management and the by-laws of the

Supervisory Board and requires that each member of the Board of Management and Supervisory Board gives periodic notice, at least quarterly, to our central officer of any changes in his or her holding of securities in Dutch listed companies. A member of the Board of Management or the Supervisory Board who invests exclusively in listed investment funds or who has transferred the discretionary management of his or her securities portfolio to an independent third party by means of a written mandate is exempted from compliance with these internal notification requirements.

BOARD OF MANAGEMENT

M.P. Bakker (1961)

CEO

Peter Bakker has been chief executive officer (CEO) since 1 November 2001, on which date he succeeded Ad Scheepbouwer. He joined Royal TPG Post (then called PTT Post) in 1991 and was appointed financial director of its parcels business unit in 1993. He was appointed financial control director of TPG Post in 1996 and became a member of the Board of Management of TPG Post in 1997. Since the demerger of TPG N.V. from Koninklijke PTT Nederland N.V. until his appointment as CEO, he was chief financial officer and a member of the TPG Board of Management. Before joining TPG Post, Mr. Bakker worked for TS Seeds Holdings. Shares owned: 18,565.

J.G. Haars (1951)

CFO

Jan Haars has been chief financial officer (CFO) and a member of the Board of Management since 1 August 2002. Mr. Haars succeeded Mr. Bakker, who was appointed chief executive officer of TPG from 1 November 2001. Before joining the company, Mr. Haars worked for ABN AMRO Bank N.V., Thyssen Bornemisza Group, Royal Boskalis Westminster N.V., Rabobank Nederland and most recently he worked for Unilever N.V., as worldwide group treasurer.

On 19 September 2005, TNT announced that the company and Mr. Haars had amicably agreed upon his resignation as statutory director and CFO. Mr. Haars will resign as per 31 March 2006.

Shares owned: 15,784.

H.M. Koorstra (1951)

Group managing director mail

Harry Koorstra has been group managing director mail and a member of the Board of Management since 1 July 2000. He joined TPG Post in 1991 as managing director of its then Media Service business unit and became a member of its Board of Management in 1997. Before joining the company, Mr. Koorstra worked for 15 years at the Netherlands' largest publisher, VNU N.V., most recently as general director of its Admedia/VNU Magazine Group. Shares owned: 15,924.

D.G. Kulik (1948)

Group managing director logistics

David Kulik has been group managing director logistics and member of the Board of Management since 1 September 2003. As group managing director logistics he is responsible for all our global logistics activities. Mr. Kulik joined us in 2000 as managing director of TNT Logistics North America. Before joining the company, Mr. Kulik was president and chief executive officer of CTI Logistx Inc. since 1994. He had been employed by the parent company CSX Corporation since 1988.

Mr. Kulik will resign as member of our Board of Management upon the sale of logistics.

Shares owned: 11,059.

M.C. Lombard (1958)

Group managing director express

Marie-Christine Lombard has been group managing director express and a member of the Board of Management since 1 January 2004. She joined Jet Services in France in 1993. Upon our acquisition of Jet Services in 1999, Mrs. Lombard joined TPG as the managing director of the domestic express business and from March 2001 until 1 January 2004 was managing director of our international express business in France. Shares owned: 4,597.

The business address of all members of the Board of Management is TNT N.V., Neptunusstraat 41-63, Hoofddorp, 2132 JA, the Netherlands.

Mr. Bakker is a member of the advisory board of ABN AMRO Bank N.V. and a member of the board of Foundation Moving the World. Mr. Koorstra is a member of the supervisory board of Hermans Holding B.V. He is also member of the executive committee and general board of the Confederation of Netherlands Industry and Employers (VNO NCW). Mr. Kulik is a member of the business advisory board of the University of North Florida (part of the university system owned and operated by the State of Florida).

The members of our Board of Management have no board positions other than those reflected above.

On 6 December 2005 we announced the intended sale of logistics. Mr. Kulik will resign as member of the Board of Management upon the sale of logistics.

On 16 December 2005 we announced the intended appointment by the Supervisory Board of Mr. H. van Dalen (1952) as CFO and member of our Board of Management. Mr. Van Dalen is currently a member of the managing board and CFO of Royal DSM N.V. Mr. Van Dalen will assume the position of acting CFO as of 1 April 2006 until the annual general meeting of shareholders to be held on 20 April 2006 has been informed of the intended appointment.

The total number of ordinary shares held by members of the Board of Management is 65,929, amounting to approximately 0.01% of the outstanding share capital.

SUPERVISORY BOARD

The Supervisory Board is charged with supervising the policies of the Board of Management and the general course of affairs of the company and the business connected with it, as well as assisting the Board of Management by providing advice. The Supervisory Board evaluates the main organisational structure and the control mechanisms established under the management of the Board of Management. The responsibility for proper performance of its duties is vested in the Supervisory Board as a whole. Members of the Supervisory Board may adopt positions different from those of the Board of Management.

In performing its duties the Supervisory Board is charged with acting in accordance with the interests of our company, its affiliated businesses, and shall take into account the relevant interest of the company's stakeholders, and, to that end, considering all appropriate interests associated with the company. Members of the Supervisory Board perform their duties without mandate and independent of any particular interest in the business of the company. They should not support one interest without regard to the other interests involved. Our Supervisory Board is responsible for the quality of its own performance.

EXPERTISE AND COMPOSITION OF THE SUPERVISORY BOARD

The Supervisory Board consists of a minimum of seven and a maximum of 12 members. At present, our Supervisory Board has nine members. Share ownership is not required to qualify as a member of the Supervisory Board.

The Supervisory Board has prepared a profile of its size and composition, taking account of the nature of our business and activities and the desired expertise and background of the members of the Supervisory Board. The Supervisory Board evaluates the profile annually and discusses the profile with the general meeting of shareholders and our central works council upon adoption and when any amendments to the profile are made.

According to the by-laws and the profile of the Supervisory Board, a person may be appointed to the Supervisory Board for a maximum of three terms of four years. Our articles of association and the by-laws of the Supervisory Board also provide that members of the Supervisory Board shall retire periodically in accordance with a rotation plan drawn up by the Supervisory Board in order to avoid, as far as possible, a situation in which many reappointments occur simultaneously. The rotation plan can be viewed on our website.

In accordance with the Dutch corporate governance code, it is the intention of the Supervisory Board that its members will not hold more than five memberships in supervisory boards of Dutch listed companies (including our company). In this respect, a chairmanship counts twice. Each member of our Supervisory Board holding more than five such board memberships has committed himself to reduce his number of board memberships to a maximum of five in due course. No new member of our Supervisory Board who holds more than five such board memberships will be appointed.

The Supervisory Board and Mr. Hommen acknowledged that the election of Mr. Hommen as chairman in April 2005 was not fully in compliance with the Dutch corporate governance code as his total supervisory board memberships number amounted to six. However the Supervisory Board felt that this election was caused by unforeseen circumstances and was pleased that Mr. Hommen accepted the important position. Mr. Hommen will resolve this non-compliance.

There is an agreed procedure for members of the Supervisory Board to take independent professional advice at the company's expense, if so required.

For a description of our Supervisory Board's activities in 2005, see the report of the Supervisory Board in chapter 6.

The by-laws of the Supervisory Board can be viewed on our website, together with other information with respect to each member of our Supervisory Board.

CHAIRMAN AND CORPORATE SECRETARY

The chairman of our Supervisory Board determines the agenda and presides over meetings of our Supervisory Board. The chairman is responsible for the proper functioning of our Supervisory Board and its committees. Furthermore, the chairman arranges for the induction and training programme for the members of our Supervisory Board and initiates the evaluation of the performance of the members of our Supervisory Board and our Board of Management.

The chairman of our Supervisory Board may not be a former member of our Board of Management.

Our Supervisory Board is assisted by our corporate secretary. All members of the Supervisory Board have access to the advice and services of the corporate secretary, who is responsible for ensuring that Supervisory Board procedures are followed and that the Supervisory Board acts in accordance with its statutory obligations under the articles of association. The corporate secretary is appointed and dismissed by the Board of Management, after the approval of the Supervisory Board has been obtained. The corporate secretary is being assisted by a deputy corporate secretary.

For TNT, the corporate secretary has been appointed as secretary to the Board of Management and the Supervisory Board and as central officer for the purpose of the TNT Rules concerning Inside Information.

COMMITTEES OF THE SUPERVISORY BOARD

The Supervisory Board has formed an audit committee, a remuneration committee, a nominations committee and a public affairs committee from among its members. The committees operate pursuant to terms of reference established by the Supervisory Board according to the rules and regulations of the Dutch corporate governance code. The terms of reference of these committees can be viewed on our website.

Audit committee

The audit committee annually reviews and reassesses the adequacy of its terms of reference as established by the Supervisory Board. The audit committee is charged with assisting the Supervisory Board in advising on and monitoring, inter alia, the integrity of our financial statements, our financing and finance related strategies and tax planning. The audit committee has the authority to retain independent advisors as it deems appropriate, and the company provides funding for advisors employed by the audit committee.

The audit committee's terms of reference require it to consist of at least three members. All members of the audit committee must be members of the Supervisory Board who are determined by the Supervisory Board to be independent within the meaning of its by-laws and the applicable corporate governance rules as discussed below. A member of the audit committee may not simultaneously serve on the audit committees of more than two other companies unless

the Supervisory Board determines that this simultaneous service would not impair the ability of such member to serve effectively on the audit committee.

The audit committee and the remuneration committee may not consist of the same members.

Each member of the audit committee must be financially literate and at least one member of the audit committee must have accounting or related financial management expertise. At least one member of the audit committee must be a financial expert as defined by the SEC. The Supervisory Board has determined that Mr. Abrahamsen qualifies as "audit committee financial expert" as defined in Item 16A of Form 20-F.

Remuneration committee

The remuneration committee was appointed by the Supervisory Board to propose a remuneration policy for members of the Board of Management and to propose the remuneration of the individual members of the Board of Management, both for adoption by the Supervisory Board, and to draft a proposal for the remuneration of the individual members of the Supervisory Board for adoption by the general meeting of shareholders. Furthermore, the remuneration committee prepares the allocation of management options and rights to shares in the company's capital to other senior management of the company by the Supervisory Board.

Nominations committee

The nominations committee is appointed by the Supervisory Board to draw up selection criteria and appointment procedures for members of the Supervisory Board and members of the Board of Management, to set up procedures to secure adequate succession of members of the Board of Management and the assessment of such candidates and to make proposals for nominations, appointments and reappointments.

Public affairs committee

The public affairs committee is appointed by the Supervisory Board to act as a sounding board and advisory committee for the Board of Management and the public affairs department in formulating and developing our public affairs policy, in particular for our mail division and for the implementation and tactical elaboration of its policy. The public affairs committee monitors the effectiveness of our public affairs policy and the implementation thereof by our public affairs department.

ADDITIONAL SUPERVISORY BOARD INFORMATION

	Nationality	Appointed	Term expires	Committee membership
J.H.M. Hommen	Dutch	June 1998	2009	Nominations, Public Affairs
R.J.N. Abrahamsen	Dutch	May 2000	2008	Audit, Nominations
J.M.T. Cochrane	British	June 1998	2006	Remuneration
R. Dahan	Dutch	April 2003	2007	Audit
V. Halberstadt	Dutch	June 1998	2007	Audit, Nominations, Public Affairs
W. Kok	Dutch	April 2003	2007	Remuneration, Public Affairs
S. Levy	French	April 2005	2009	Audit
G. Monnas	Greek	April 2005	2009	Remuneration, Public Affairs
R.W.H. Stomberg	German	June 1998	2006	Remuneration, Nominations

SUPERVISORY BOARD

J.H.M. Hommen (1943)

Mr. Hommen is chairman of the Supervisory Board. Mr. Hommen was appointed as a member of the Supervisory Board by the Minister of Transport, Public Works and Water Management on 28 June 1998. He was reappointed for a period of four years by the Minister of Transport, Public Works and Water Management in 2001. He was again reappointed for another four years by the general meeting of shareholders on 7 April 2005. His term expires in 2009. Mr. Hommen was formerly vice-chairman of the board of management and chief financial officer of Royal Philips Electronics N.V. and executive vice-president and chief financial officer of the Aluminum Company of America (Alcoa). He is a member of the supervisory boards of Royal Ahold N.V. and ING Group N.V., chairman of the supervisory boards of Reed Elsevier, Tias Business School, the Academisch Ziekenhuis Maastricht and chairman of the board of directors of MedQuist, USA.

Shares owned: 0.

R.J.N. Abrahamsen (1938)

Mr. Abrahamsen was appointed as a member of the Supervisory Board by the Minister of Transport, Public Works and Water Management on 9 May 2000. He was reappointed for four years after the annual general meeting of shareholders held in 2004. His term expires in 2008. Mr. Abrahamsen is chairman of the supervisory boards of Optimix Vermogensbeheer N.V. and Trans Link Systems. Mr. Abrahamsen is member of the supervisory boards of Fluor Daniel B.V., PON Holdings B.V., Havenbedrijf Rotterdam B.V., ANP, Madurodam B.V., Royal BAM Group and Vitens N.V. He is a former member of the management board and chief financial officer of KLM Royal Dutch Airlines N.V. and senior executive vice-president of ABN AMRO Bank N.V.

Shares owned: 0.

J.M.T. Cochrane (1944)

Mr. Cochrane has been vice-chairman of the Supervisory Board since 2 November 2001. He was appointed as a member of the Supervisory Board on 28 June 1998. He was reappointed for four years after the annual general meeting of shareholders held in 2002. His term expires in 2006. Mr. Cochrane will be nominated for reappointment in the annual general meeting of shareholders to be held on 20 April 2006. Mr. Cochrane is chairman of Avidex Ltd. and chairman of SW London Strategic Health Authority. He is a former director of Glaxo Wellcome plc, responsible for international operations, and a former executive director of Glaxo Wellcome.

Shares owned: 0.

R. Dahan (1941)

Mr. Dahan was appointed as a member of the Supervisory Board on 1 April 2003. His term expires in 2007. Mr. Dahan is chairman of the supervisory board of Royal Ahold N.V., a member of the supervisory boards of VNU N.V. and AEGON N.V., a member of the international advisory board of the Instituto de Empresa Business School in Madrid and a member of the advisory board of the Guggenheim Group in New York. He was formerly executive vice-president and director of Exxon Mobil Corporation and held various positions with its subsidiaries.

Shares owned: 0.

V. Halberstadt (1939)

Mr. Halberstadt was appointed as a member of the Supervisory Board on 28 June 1998 and reappointed in 1999 and in 2003. His term expires in 2007. Mr. Halberstadt is professor of public finance at Leiden University, international advisor of Goldman Sachs Group Inc., non-executive director of PA Holdings Ltd and a non-executive director of RHJ International. Furthermore, he is a member of the supervisory boards of Royal KPN N.V. and Concertgebouw N.V. Mr. Halberstadt previously served amongst others as president of the International Institute of Public Finance, Crown-member of the Social and Economic Council and chairman of the Daimler Chrysler international advisory board.

Shares owned: 0.

W. Kok (1938)

Mr. Kok was appointed as a member of the Supervisory Board on 1 April 2003. His term expires in 2007. Mr. Kok is member of the supervisory boards of Royal Dutch Shell plc., ING Group N.V. and KLM Royal Dutch Airlines N.V. Mr. Kok was formerly Prime Minister of the Netherlands, Minister of Finance, member of parliament, chairman of the Confederation of Dutch Trade Unions and the European Trade Union Confederation.

Shares owned: 0.

S. Levy (1947)

Mr. Levy was appointed as a member of the Supervisory Board on 7 April 2005. His term expires in 2009. Mr. Levy is a member of the supervisory boards of Nissan, Renault Finance, Renault Spain, Safran, Segula Technologies and Aegon N.V. Formerly Mr. Levy was executive vice-president and chief financial officer of Renault Group.

Shares owned: 0.

G. Monnas (1955)

Mrs. Monnas was appointed as a member of the Supervisory Board on 7 April 2005. Her term expires in 2009. Formerly she was president of the international division and member of the executive committee of Johann Benckiser GmbH and held various positions at Procter & Gamble in Greece and the United States. Furthermore Mrs. Monnas was urban development consultant for the Greek Ministry of Economic Affairs. Mrs. Monnas has been nominated for appointment as member of the supervisory board of Randstad Holding N.V. in May 2006.

Shares owned: 0.

R.W.H. Stomberg (1940)

Mr. Stomberg was appointed as a member of the Supervisory Board on 28 June 1998. He was reappointed for four years after the annual general meeting of shareholders held in 2002. His term expires in 2006. Mr. Stomberg will be nominated for reappointment in the annual general meeting of shareholders to be held on 20 April 2006. Mr. Stomberg is chairman of Management Consulting Group plc and a non-executive director of Smith & Nephew plc, Reed Elsevier N.V. and Reed Elsevier plc. Mr. Stomberg is also a member of the supervisory board of Deutsche BP AG, chairman of the advisory board of Hoyer GmbH in Hamburg and chairman of the supervisory board of Lanxess AG in Leverkusen. Mr. Stomberg was formerly a managing director of British Petroleum Company plc, the chief executive of BP Oil International, chairman of John Mowlem & Co plc and chairman of Unipoly S.A.

Shares owned: 0.

The business address of all members of the Supervisory Board is TNT N.V., Neptunusstraat 41-63, Hoofddorp, 2132 JA, the Netherlands.

GOVERNANCE AND CONTROL

LARGE COMPANY REGIME

Pursuant to the Enabling Act, we are subject to the full large company regime, which was amended effective as per 1 October 2004. See for more information on the large company regime chapter 14.

In March 2001, the State of the Netherlands expressed the intention to introduce legislation to amend the Enabling Act, with the effect that the large company regime as provided for in articles 152 through 164, book 2 of the Dutch Civil Code would apply to us as it applies to all other large companies. If such legislation is introduced, we may be able to use the full or partial exemption to the large company regime. Such legislation has not been introduced yet.

Under Dutch law, the powers vested in a supervisory board vary, according to whether a company is subject to (i) the full large company regime, (ii) the partially exempt large company regime, or (iii) the fully exempt large company regime.

If a company is subject to the full large company regime, the company must have a two-tier management structure, including a supervisory board with broadened powers. The supervisory board has the right to nominate members of the supervisory board for appointment by the general meeting of shareholders. The supervisory board has the power to appoint and dismiss members of the board of management. The decision of the supervisory board to dismiss a member of the board of management can only be taken after the general meeting of shareholders has been consulted on the intended dismissal. Certain resolutions of the board of management are subject to the approval of the supervisory board. If a company is partially exempt from the large company regime, certain of these broadened powers remain vested in the supervisory board. However, shareholders then have the power to appoint and dismiss members of the board of management. If a company is fully exempt from the large company regime, no statutory powers as described in this paragraph are vested in the supervisory board.

DUTCH CORPORATE GOVERNANCE CODE

We fully comply with the Dutch corporate governance code by applying its principles and best practice provisions that are applicable to the Board of Management and the Supervisory Board or by explaining why we deviate therefrom. We fully apply such principles and best practice provisions, with the exception of the following best practice provisions that are not fully applied:

- provision II.2.7: maximum remuneration in the event of dismissal of members of the Board of Management. See chapter 9, page 81, and
- provision III.3.4: maximum number of Supervisory Board positions held by members of the Supervisory Board with Dutch listed companies. See chapter 7, page 63.

Each substantial change in the corporate governance structure of the company and in the compliance of the company with the Dutch corporate governance code shall be submitted to the general meeting of shareholders for discussion.

The full text of the Dutch corporate governance code can be viewed on our website, group.tnt.com. The information on our website, however, does not form part of this annual report. In addition to the Dutch corporate governance code we are subject to the New York Stock Exchange corporate governance rules and to the Sarbanes-Oxley Act. We are not subject to any other corporate governance code.

NEW YORK STOCK EXCHANGE CORPORATE GOVERNANCE RULES

We comply with the corporate governance rules applicable to foreign private issuers listed on the New York Stock Exchange (NYSE), which include, inter alia, the provisions of the Sarbanes-Oxley Act. As a foreign issuer with American Depositary Shares listed on the NYSE, we are allowed to follow our home-country practices with respect to most corporate governance matters instead of those that apply to US domestic issuers provided that we disclose any significant ways in which our corporate governance practices differ from listed domestic US companies under the NYSE listing standards.

Like many Dutch public limited liability companies, we have a two-tier governance standard. As set out in more detail above, our Board of Management is comprised of executive directors under the supervision of our Supervisory Board, which is comprised of non-executive directors. Members of the Board of Management and other officers and employees cannot simultaneously act as members of the Supervisory Board. The Supervisory Board must approve specified decisions of the Board of Management.

Both the Dutch corporate governance code requirements and the NYSE rules require that a majority of the members of a board of directors be independent, but the relevant definitions of independence differ in their details. In some cases, the Dutch requirement is stricter, such as by requiring a longer “look back” period for former executive directors, in others the NYSE is the stricter of the two, such as requiring a “look back” period for personal compensation generally and using a broader conception of what constitutes an affiliate. The NYSE listing standards also require that the external auditor is to be appointed by a company’s audit committee. As discussed below on page 70, in accordance with Dutch law, our external auditor is appointed by the general meeting of shareholders and not by our audit committee, although our audit committee has the sole authority to recommend such appointment, subject to confirmation by our Supervisory Board.

Our audit committee complies with the provisions of the NYSE listing standards applicable to foreign private issuers, and we believe that our variation from the standards applicable to US companies does not adversely affect the independence of

our audit committee. In general, we believe that our current corporate governance practices are consistent in principle with the standards required of US companies listed on the NYSE.

THE FOUNDATION PROTECTION TNT AND PREFERENCE SHARES B

Stichting Bescherming TNT (the Foundation Protection TNT) was formed to care for our interests, the enterprises connected with us and all interested parties, such as shareholders and employees, by, among other things, preventing as much as possible influences which would threaten our continuity, independence and identity contrary to such interests. The Foundation Protection TNT is an independent legal entity and is not owned or controlled by any other legal person.

Our articles of association provide for protective preference shares B that can be issued to the Foundation Protection TNT. The preference shares B have a nominal value of €0.48 and have the same voting rights as our ordinary shares. There are currently no preference shares B issued, although we have entered into agreements with the Foundation Protection TNT for the placement to or acquisition by the Foundation Protection TNT of preference shares B under certain circumstances. These agreements have been entered into to prevent, delay or complicate attempts at an unsolicited takeover, including transactions in which shareholders might otherwise receive a premium for their shares over then current market prices. The preference shares B may only be issued to serve these interests.

Under these agreements we have a put option to place a number of our preference shares B, not exceeding our total issued share capital before such issue (or, subject to prior approval by the general meeting of shareholders, such larger number as we may agree with the Foundation Protection TNT) with the Foundation Protection TNT, subject to the Foundation Protection TNT’s ability to pay the purchase price. The Foundation Protection TNT has renewed its credit facility agreements in 2004 to be able to pay the purchase price. In addition, the Foundation Protection TNT has a call option to acquire a number of preference shares B not exceeding the total issued amount of ordinary shares and the special share, minus one and minus any shares already issued to the Foundation Protection TNT.

The exercise price with respect to each of the options is the nominal value of €0.48 per preference share B, although upon exercise only €0.12 per preference share B is required to be paid. The additional €0.36 per preference share B would not be required to be paid by the Foundation Protection TNT until we made a call for payment by resolution of our Board of Management, which resolution would be subject to the approval of the Supervisory Board.

Beginning two years after the date of issuance of any preference shares B to the Foundation Protection TNT for the first time, the Foundation Protection TNT would have the

right to demand that we propose to our general meeting of shareholders that those preference shares B be cancelled and the paid up amount returned to the Foundation Protection TNT. This would occur upon approval of the general meeting of shareholders. The Foundation Protection TNT could make this demand earlier if it had received a demand for the repayment of the funds under the credit arrangement it has arranged in order to make payments on preference shares B.

The independent members of the board of the Foundation Protection TNT are J. den Hoed (chairman), S.C.J.J. Kortmann, J.H.M. Lindenbergh and R. Pieterse. With the members of the board of the Foundation Protection TNT, we share the view that the Foundation Protection TNT is independent in the sense referred to in Annex X to the General Rules (*Algemeen Reglement*) Euronext Amsterdam Stock Market.

The preference shares B are the only anti-takeover measure as described in Annex X to the General Rules (*Algemeen Reglement*) Euronext Amsterdam Stock Market. In the event of a takeover attempt which by our Board of Management and the Supervisory Board is not considered to be in the interest of the company, the business connected with it and all appropriate interests associated with the company, we may initiate such actions as we may deem appropriate within the boundaries of Dutch law to preserve the long term interests of the company, the business connected with it and all appropriate interests associated with the company.

CONTROLS AND PROCEDURES

Independent counsel investigation into illegal acts.

We refer to chapter 6, page 57, for the information in respect of the independent counsel investigation into illegal acts and remedial actions to be taken in this respect.

Internal risk management and control systems

Our Board of Management is responsible for our system of internal risk management and controls and for reviewing their operational effectiveness. The internal risk management and control systems are designed to identify significant risks and to assist us in managing the risks that could prevent us from achieving our objectives, but cannot provide absolute assurance against material misstatements, fraud and violations of laws and regulations. Nevertheless, because of their inherent limitations, the control systems described below, as well as those in the two following sections may not prevent or detect all misstatements, inaccuracies, errors, fraud or non-compliance with law and regulations, neither can they provide certainty as to the achievement of our objectives.

Our internal risk management and control systems were designed based on the Committee of Sponsoring Organisations of the Treadway Commission (COSO) internal control framework. These processes encompass measures relating to the general control environment as well as tools for monitoring the control environment (e.g. letters of representation signed by all managing and finance directors of our group entities, divisional and group level employees that report directly to

the Board of Management, our internal audit function, and monitoring duties of our divisional audit committees). In addition, there is a system of controls over financial reporting, including amongst others our internal auditors' review and the review and report of our disclosure committee.

The Board of Management has reviewed, analysed and prioritised the risks to which we are exposed and has reviewed our control environment for the year ended 31 December 2005. The outcome of this review and analysis has been shared with the audit committee and the full Supervisory Board and has been discussed with our external auditors. Our current key risks are summarised in chapter 10.

As disclosed in chapter 6 of our 2004 annual report, in 2004 we became aware that there were some functions where our internal risk management and control systems could be improved. We believe that we are taking adequate steps to strengthen our internal risk management and control systems in these functions. The need to further strengthen controls and procedures and financial and tax staffing was reconfirmed in the investigations of the audit committee. See chapter 6, page 57 for more information.

We are continually reviewing and improving our system of internal control over financial reporting in view of our upcoming obligations under Section 404 of the Sarbanes-Oxley Act and related regulations. We do not imply an assessment of the adequacy and effectiveness of our internal control and risk management processes over financial reporting under Section 404 of the Sarbanes-Oxley Act, as the SEC has indicated that this will only be required for the year ended 31 December 2006. We have taken advantage of the SEC extension for foreign issuers and have used the extra time to further strengthen our control environment.

Over the period covered by this annual report we have not identified any control issues that would be classified as a material weakness. We have, however, identified some significant control deficiencies, which in our view do not have a material impact on our financial results.

The first category of significant control deficiencies relates to our entity-level control framework and US GAAP knowledge in our local business entities. These significant control deficiencies remain although we have made progress in improving our entity-level control framework, which now addresses all of the softer COSO components, and is expected to be finalised and rolled out by 31 March 2006. In addition we continue to strive for improved US GAAP knowledge and expertise throughout the company.

The second category of significant control deficiencies relate to our financial reporting on tax. We have made significant progress in this area in the past year and have implemented several key controls. Specifically, we have implemented mandatory tax questionnaires, a tax risk register and corresponding risk mitigation action plans, and we have

reviewed, adopted and communicated internally our revised taxation strategy and related guidance. For the most important countries in which we operate we have assigned a senior finance staff member with direct responsibility for all taxation matters. Nevertheless, we acknowledge that some of these controls need to be further embedded, especially in our local business entities.

The third category of significant deficiencies relates to our controls within and around the use of electronic templates, which directly relate to the creation, monitoring and review of our financial statements. In particular, we currently are implementing controls to mitigate the risk of error resulting from the use of critical spreadsheets.

In late 2005, we commissioned a review by external counsel into our integrity and ethical controls and procedures. A comprehensive report was made, and the Board of Management is implementing its recommendations under the supervision of our audit committee. We created two new positions in 2005: Group Legal Director and General Counsel, and Group Director Integrity and Security. Controls under these two new functions are being refined and documented as part of our work to achieve Section 404 compliance.

Our external auditors are obligated under the standards of the Public Companies Accounting Oversight Board to consider our internal control over financial reporting as a basis for designing their auditing procedures for the purpose of expressing their opinion on our consolidated financial statements. We have discussed our own assessment of our control and risk management framework with our auditors and are in agreement with them on the significant deficiencies to be remediated in 2006.

Disclosure controls and procedures

As of the end of the period covered by this annual report, under the supervision and with the participation of our chief executive officer and chief financial officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures. Based on this our chief executive officer and chief financial officer concluded that our disclosure controls and procedures should be strengthened. The remedial actions described above are intended to strengthen our disclosure controls and procedures.

Section II.1.4 of the Dutch corporate governance code taking into account the recommendation of the corporate governance code monitoring committee on the application thereof.

The concept of internal risk management and control systems as used in the Dutch corporate governance code varies significantly from the concepts of “disclosure controls and procedures” and “internal control over financial reporting” under the US Securities Exchange Act of 1934, as amended, and the related SEC rules.

For purpose of compliance with the Dutch corporate governance code taking into account the recommendation of

the Dutch corporate governance code monitoring committee, to the best of its knowledge, the Board of Management believes that our internal risk management and control systems provide a reasonable level of assurance that:

- our financial reporting does not contain material inaccuracies;
- our risk management and control systems have operated effectively in the year 2005, noted that there are areas where significant deficiencies as described above were identified and adequate remedial actions have been taken in this respect, and
- there are no indications, considering the attention given to the strengthening of our internal control over financial reporting and disclosure control and procedures in general and specifically in respect to tax-related matters, that our risk management and control systems will not operate properly in the current year.

We refer to the paragraph above “Internal risk management and control systems” for a description of significant control, our planned improvements and cautionary language regarding the inherent limitations in control. In addition, the above statement regarding internal risk management and control systems does not imply an assessment on the adequacy and effectiveness of our internal control over the financial reporting under Section 404 of the Sarbanes-Oxley Act.

CONFLICTS OF INTEREST/RELATED PARTY TRANSACTIONS

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

A member of the Board of Management or of the Supervisory Board is required to report immediately and provide all relevant information to the chairman of the Supervisory Board and to the other members of the Board of Management (if it concerns a member of that board) about any conflict of interest or potential conflict of interest that may be of material significance to the company and/or to the relevant member, including any conflict concerning the relevant member's spouse, registered partner or other life companion, foster child or relatives by blood or marriage up to the second degree. If the chairman of the Supervisory Board has a conflict of interest or potential conflict of interest that is of material significance to the company and/or to him, he is required to report this immediately to the vice-chairman of the Supervisory Board and provide all relevant information, including information concerning his spouse, registered partner or other life companion, foster child or relatives by blood or marriage up to the second degree.

A decision to enter into a transaction involving a conflict of interest with a member of the Board of Management or a member of the Supervisory Board that is of material

significance to the company or to the relevant member of the Board of Management or of the Supervisory Board requires the approval of the Supervisory Board.

The by-laws of the Board of Management and the Supervisory Board in addition include a provision that a member of the Board of Management or of the Supervisory Board shall not take part in any discussion or decision making that involves a subject or transaction in relation to which such member has a conflict of interest with the company.

The State of the Netherlands is our largest shareholder, holding approximately 10% of our ordinary shares. In view of the transactions that we may enter into with the State of the Netherlands and any of its instrumentalities, the by-laws of the Board of Management provide that any such transaction shall not be deemed to be of material significance below a threshold of €22.5 million. Transactions with these parties above this threshold require the approval of our Supervisory Board. All transactions between us and the State of the Netherlands and any of its instrumentalities are required to be agreed on terms that are customary in the sector concerned.

BUSINESS PRINCIPLES AND WHISTLEBLOWER POLICY

Our code of ethics, called the TNT Business Principles, including the TNT Whistleblower Policy, is described in chapter 8. The TNT Business Principles, the TNT Whistleblower Policy and the TNT Whistleblower Procedure can be viewed on our website.

AUDITOR

Our external auditor, PricewaterhouseCoopers Accountants N.V., is appointed by our general meeting of shareholders. Our audit committee has the sole authority, subject to confirmation by our Supervisory Board, to recommend to our general meeting of shareholders the appointment or replacement of the external auditor. The audit committee is required to be directly responsible for the compensation and oversight of the work of the external auditor on behalf of the Supervisory Board (including resolution of disagreements between management and the external auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work. The audit committee is required to pre-approve all auditing and audit related services, and permitted non-audit services (including the fees and terms thereof) to be performed for us by the external auditor.

Conflicts of interest and potential conflicts of interest between the external auditor and the company are resolved in accordance with the terms of reference of the audit committee and in particular the following annexes thereto: the TNT policy on auditor independence and the TNT audit committee audit, audit-related, and non-audit services pre-approval policy, which can both be viewed on our website.

We at times use our external auditor to provide services in cases where these services do not conflict with the external auditor's independence. To maintain our external auditor's independence and to comply with applicable law and regulation, the TNT policy on auditor independence governs how and when we may engage our external auditor.

The audit committee grants year-long general pre-approval for certain routine services and specific pre-approval for additional services or budget allocations. Significant non-audit services require a tender process, and certain services are prohibited outright. In its approval determinations, the audit committee considers the applicable regulations and stock exchange rules and whether the external auditor is best suited to perform the services effectively and efficiently. The audit committee also considers the ratio between the total amount of fees for audit and audit related services and the total amount of fees for non-audit services. The audit committee is required to pre-approve all audit and audit related services, and permitted non-audit services (including the fees and terms thereof) to be performed for us by the external auditor and did so for all services in 2005, except for some which in aggregate amount to around 3% of the total amount paid to the external auditor. The audit committee requires a formal written statement from the external auditor describing all relationships between the external auditor and the company. The lead (signing) partner and the concurring (review) partner of the external auditor are rotated after a maximum period of four years.

The audit committee and the Board of Management are required once every three years to conduct a thorough assessment of the functioning of the external auditor within the various entities and in the different capacities in which the external auditor acts. The last assessment was held in 2004. The main conclusions of this assessment are required to be communicated to the general meeting of shareholders.

Internal auditors are required to operate under the responsibility of our Board of Management subject to monitoring of our internal audit function by the Supervisory Board, assisted by the audit committee. The Board of Management is required to ensure that the external auditor and the audit committee will be involved in drawing up the tasks of the internal auditors.

The independent external auditor is required to attend the meetings of the Supervisory Board at which the report of the external auditor with respect to the audit of the financial statements is discussed and at which the approval of the financial statements is determined.

See note 21 to the consolidated financial statements for the fees paid to PricewaterhouseCoopers Accountants N.V. and the distribution of the fees between audit related services and non-audit services.