
REMUNERATION

REPORT

INTRODUCTION

The remuneration of the members of the Board of Management is the responsibility of the Supervisory Board. The remuneration policy is adopted by the general meeting of shareholders. The remuneration committee is formed by our Supervisory Board to assess and propose the remuneration policy for members of the Board of Management and to prepare the proposal for the remuneration for the individual members of the Board of Management.

The remuneration committee is made up of at least three members of the Supervisory Board and is chaired by the vice-chairman of the Supervisory Board. In 2005 the remuneration committee comprised Mr. J.M.T. Cochrane (chairman), Mrs. G. Monnas, Mr. W. Kok and Mr. R.W.H. Stomberg. None of the members of the remuneration committee is a member of the management board of another Dutch listed company and none of the members of the remuneration committee is member of the audit committee. During 2005, the remuneration committee met five times. The chief executive officer was invited for all meetings except the meeting where his own terms or conditions were discussed. Our corporate human resources department fulfils the role of secretary of the committee.

The remuneration committee used professional advice from the following independent external advisors:

- Allen & Overy LLP provided legal advice on employment related matters,
- Towers Perrin and Hewitt Associates advised on remuneration market practice and equity based compensation and provided the valuations used for long-term incentives,
- Petercam Bank Nederland B.V. advised on our total shareholder return performance compared to our peer group, and
- Ernst & Young provided tax advice relating to the employment of the US-based member of the Board of Management.

The advisors do not advise the members of the Board of Management on their remuneration.

This report sets out the policies on the remuneration of the members of the Board of Management and the remuneration for the members of the Supervisory Board. For the disclosure of the remuneration paid to individual members of the Board of Management and the Supervisory Board, see note 19 of the consolidated financial statements.

REMUNERATION OF THE SUPERVISORY BOARD

The remuneration of the members of the Supervisory Board is comprised of a base compensation and a variable compensation linked to attendance of the meetings of the committees of the Supervisory Board. The members of the Supervisory Board do not receive any compensation related to performance and/or equity and do not accrue any pension rights with our company. The members of the Supervisory Board do not receive any severance payments in the event of termination.

Supervisory Board		Base fee
	Chairman	60,000
	Member	45,000
Committees		Meeting fee
Audit & Remuneration	Chairman	2,500
	Member	1,500
Nomination & Public Affairs	Chairman	1,500
	Member	1,000

(in €)

REMUNERATION POLICY FOR THE BOARD OF MANAGEMENT

The remuneration policy for the members of the Board of Management set forth below is drawn up by the Supervisory Board and will be submitted to the annual general meeting of shareholders on 20 April 2006 for adoption.

OBJECTIVE OF REMUNERATION

The objective of the remuneration policy is to attract, motivate and retain qualified members of the Board of Management of the highest calibre, with an international mindset and background essential to the successful leadership and effective management of a large global company and to reward them accordingly based on performance. The remuneration structure for the Board of Management is therefore designed to balance short term operational performance with the long term objectives of the company. Total remuneration is benchmarked against the relevant market.

REMUNERATION ELEMENTS AND MARKET ALIGNMENT

The remuneration for members of our Board of Management consists of: a fixed base salary and other periodically paid compensation, a variable compensation and pension arrangements. The variable compensation consists of: a short term incentive component, a share-matching scheme and a long term incentive component. Only the base salary and other periodically paid compensation are fixed; all other components are linked to performance.

Total remuneration is set at the median level for total compensation of the European reference market for executive directors of multinational companies. The European market is defined as the composite market of Belgium, France, Germany, Italy, the Netherlands, Switzerland and the United Kingdom. This reference market reflects companies with comparable revenue, number of employees and international character.

BASE SALARY

The base salary for the members of the Board of Management is set at the median level of the European reference market as set out above. For the base salary of the members of the Board of Management the remuneration level in the country of residence is benchmarked against the average European market. If the remuneration level in the country of residence exceeds the European market, the base salary is based upon the salary in the reference market of the country of residence.

OTHER PERIODICALLY PAID COMPENSATION

Members of the Board of Management benefit from other periodically paid compensation or benefits in kind. A typical example of a benefit in kind is a company car.

VARIABLE COMPENSATION

We consider variable compensation an important part of the remuneration package for the members of the Board of Management. The bonus targets and performance conditions reflect the key drivers for value creation and medium to long term growth in shareholder value. Therefore, approximately half of the total compensation of the members of the Board of Management consists of variable compensation, depending on performance.

The performance challenge for the Board of Management is to achieve sustainable performance on both the short term and the long term.

In addition, the group managing director logistics can receive a special additional reward for achieving a higher than budgeted performance for logistics, which reward could be reviewed considering the intended sale of logistics.

Short term incentive: cash bonus

The short term incentive for the members of the Board of Management consists of the mission related incentive scheme.

Our Supervisory Board agrees and sets the targets for the mission related incentive plan at the beginning of each financial year. The “at target” bonus level entitles a member of the Board of Management to 60% of base salary with an additional 15% available if the “at stretch” bonus level is reached.

The short term incentive scheme for the members of the Board of Management reflects the accountability for our mission by rewarding for both financial and non-financial performance as required for sustainable results. Therefore financial and non-financial targets are set.

The financial targets for the chief executive officer and the chief financial officer are set in terms of earnings from continuing operations. The targets for the group managing directors consist of targeted earnings from continuing operations of the company as a whole and of internal targeted economic profit of the relevant division. Both targets are measured independently and the realisation of these targets can independently lead to bonus payments.

The non-financial targets are related to the elements of our mission that do not directly impact our financial performance in the short term but are crucial to the continued success of our company in the long term. For each member of the Board of Management specific non-financial targets are agreed with the Supervisory Board relating to the following elements of our mission:

- instilling pride in our people: continuous improvement in engaging our people, which can be measured through employee satisfaction surveys,
- exceeding customers' expectations: continued improvements in our relations with customers, which can be measured through customer satisfaction surveys and by assessing the relationship with our customers in person,
- sharing responsibility for our world: making a difference to our environment, which can be accounted for by our global initiatives as a company such as our involvement with the United Nations World Food Programme on a global scale and local initiatives to improve the direct environment we live in. The Supervisory Board will designate specific projects and initiatives to each member of the Board of Management for which the individual member will be personally responsible.

The “at target” bonus level of 60% of the base salary consists for 80% of reward for achieving financial targets and 20% of reward for achieving non-financial targets. The financial targets (earnings and economic profit) and the non-financial performance are realigned to our refined strategy. The “at target” level for non-financial performance has been lowered from 18% to 12% for all members of the Board of Management. The “at target” level for financial performance for the group managing directors has shifted from 30% to 18% for the earnings target and from 12% to 30% for the economic profit target. This pay-out reflects the focus on the divisional financial performance in 2006.

The bonus based on earnings performance will be calculated using a sliding scale between the “at minimum” target level and the “at stretch” target level. Below the minimum required performance, the bonus for financial performance is zero. The same sliding scale between minimum and stretch is also applicable for divisional economic profit results. The bonus for non-financial performance does not have a sliding scale. The Supervisory Board allocates the non-financial bonus based on the achievement of individual targets of the Board of Management and determines the associated pay-out.

The bonus as percentage of the base salary at different performance levels is set out below:

	Financial targets						Non-financial targets	Total range
	Earnings target			Economic profit target				
	At minimum	At target	At stretch	At minimum	At target	At stretch	At target	
Peter Bakker	38%	48%	63%				12%	0% - 60% - 75%
Jan Haars	38%	48%	63%				12%	0% - 60% - 75%
Harry Koorstra	15%	18%	22%	23%	30%	41%	12%	0% - 60% - 75%
Dave Kulik	15%	18%	22%	23%	30%	41%	12%	0% - 60% - 75%
Marie-Christine Lombard	15%	18%	22%	23%	30%	41%	12%	0% - 60% - 75%

Share-matching scheme

Any bonus payable under the short term incentive scheme described above will be paid 75% in cash and 25% in our shares at the then current market value with an accompanying right on matching shares. The number of shares involved is calculated by dividing the 25% of the bonus by the share price on the day of grant. The day of grant is the day following the announcement of the first quarter results. If at least 50% of the shares are retained for a period of three years, the company will match the amount of shares on a one-to-one basis. In compliance with the Dutch corporate governance code, the members of the Board of Management may not sell their matching shares before the earlier of five years from the date of grant or the end of the employment, although any sale of shares for the purpose of using the proceeds to pay for the tax relating to the grant of these shares is exempted.

Long term incentive: performance shares

In 2005 we replaced our granting of options by granting shares under the existing performance share scheme. We consider options to be less effective than performance shares in aligning the interest of the Board of Management to the interests of the shareholders. Performance shares more accurately reflect the share price development that creates value for our shareholder.

Under the performance share scheme, members of the Board of Management are awarded rights on our shares. These rights are exercisable after three years. The number of shares to be granted is calculated by dividing the available amount by the share price on the day following the announcement of first quarter results.

The total of shares granted to the members of the Board of Management under the performance share scheme are benchmarked on a yearly basis against market practice using the same reference market as described earlier in this chapter. The vesting of performance shares is conditional on the achievement after three years of a certain total shareholder return compared against two benchmarks, each representing 50% of the performance shares: (a) the AEX index of Euronext Amsterdam N.V. and (b) a peer group of direct competitors (UPS, FedEx and DPWN). Total shareholder return is defined

for this purpose as the return to shareholders from investing in shares, in terms of both share price appreciation and dividends, assuming reinvestment of dividends. Under this performance schedule 0% - 120% of the base allocation of the performance shares might vest depending on our relative total shareholder return performance during the three financial years starting with the year of grant.

During the vesting period, the total shareholder return data are compiled by the bank Petercam Nederland B.V. based on the information from objective data providers (e.g. Bloomberg) and reported quarterly. After the three-year vesting period, the remuneration committee will advise the Supervisory Board on the vesting of performance shares.

Shares granted to our Board of Management via our equity schemes without financial consideration must be retained for a period of at least five years after grant or until at least the end of employment if this period is shorter, unless it can be demonstrated to our corporate secretary that their sale is prompted by required tax payments with respect to these shares.

PENSION ARRANGEMENTS

Our pension policy is that pension arrangements should be in line with local practice in the country of residence of the relevant member of the Board of Management. The pension policy for the members of the Board of Management aims at a retirement age between 60 and 65 and a benefit commensurate with benefits for members of the Board of Management of comparable companies in the country of residence. The pension arrangements for all members of the Board of Management include entitlement to a pension in the event of illness or disability and a spouse's/dependant's pension on death.

We recognise the developments in the society concerning pensions. We are revising the pension policy for our members of the Board of Management to reflect this and to align the policy more closely to the existing policy for our employees in the Netherlands under the collective labour agreement (CAO).

In 2006, we intend, after consultation with the individual members of the Board of Management, to move the current Dutch members of the Board of Management, as well as any newly appointed members, to a career average pension aimed at retirement at 65. The current Dutch members are Mr. Bakker and Mr. Koorstra. The new member to be appointed to the Board of Management is Mr. Van Dalen as of April 2006.

We also recognise that members of the Board of Management should be able to plan their retirements. If needed, they can contribute additionally to a life time savings account.

TERM OF APPOINTMENT AND EMPLOYMENT CONTRACTS

The members of the Board of Management appointed before September 2003 have been appointed for an indefinite term. New members of the Board of Management are appointed for a period of four years. On expiry of the four-year term, a member of the Board of Management may be reappointed for successive terms of four years per term. In the case of a proposed reappointment the performance of the candidate as a member of the Board of Management is taken into account. The Supervisory Board has agreed with the members of the Board of Management that as of 2004, each year a member of the Board of Management will step down and be eligible for reappointment for a new four-year term according to the following reappointment plan:

	Employed with us since	Term of employment	Year of (re)appointment	Eligible for (re)appointment
Peter Bakker ¹	14 October 1991	Indefinite	2004	2008
Jan Haars	1 August 2002	Indefinite	2002	2005 ²
Harry Koorstra	1 October 1991	Indefinite	2005	2009
Dave Kulik	4 September 2000	Four years	2003	2007 ³
Marie-Christine Lombard	15 December 1999	Four years	2004	2008

¹ Peter Bakker was appointed CFO effective 28 June 1998 and CEO effective 1 November 2001.

² Jan Haars will resign end of March 2006 and Henk van Dalen will be eligible for appointment as CFO.

³ David Kulik will resign upon the sale of logistics.

SEVERANCE

In relation to contracts with members of the Board of Management we set the severance payments at one year of the base salary with a maximum of two years in the first four-year term if one year is considered unreasonable. Contracts entered into prior to 2004 will remain unaltered. For members of the Board of Management who are not residents of the Netherlands, we follow local market practice for that part of the base salary earned in the country of residence.

Termination arrangements for the members of the Board of Management are as follows:

Severance arrangements


	Notice period	Compensation related to a change in control ¹	Other severance arrangements
Peter Bakker	Six months	Two years' compensation	None
Jan Haars	Six months	Two years' compensation	Two years' compensation
Harry Koorstra	Six months	Two years' compensation	None
Dave Kulik	Six months	Two years' compensation	Local practice for US based salary + one year for Dutch based salary
Marie-Christine Lombard	Six months	Two years' compensation	Local practice for France based salary + one year for Dutch based salary

¹ Compensation is defined as the base compensation, the average bonus over the last three years and pension contribution.

LOANS

We do not grant loans to any member of our Board of Management or Supervisory Board.

The loans in connection with the grant of share options in 1999 offered to the Board of Management to pay the Netherlands tax arising from the grant are no longer outstanding. As a result, no loans to any member of the Board of Management or to any member of the Supervisory Board remain outstanding.



When staff illness hit her depot, she took over their responsibilities to ensure operations and contracts weren't impacted.

Karin Dechalová Depot Manager
TNT Post | Czech Republic