





“Teamwork and a personal touch are the keys to a successful team.”

**AYGÜL ÖZKAN**

Deputy Manager TNT Post Hamburg  
35 years old, married, 1 child

## TNT POST HAMBURG

Aygül radiates energy and drive and you need only a single conversation with her to understand why she is proving such a success in a challenging job. In November 2005, starting entirely on her own, she took on the task of setting up TNT Post's Hamburg operations. In a metropolitan area spanning 750 km<sup>2</sup> and some 1.8 million inhabitants, that's no mean task. After creating a team of over 400 staff within a 6-week period, deliveries started in January 2006 with new contracts coming in each week.

Aygül: "The months setting up the depot were an absolute rollercoaster and without doubt the most intense of my career to date. Although I had a good position at Deutsche Telekom at the time, I loved the idea of setting up something new. My first task was to create the team. Sometimes we had 10 interviews a day, with a five-minute break between candidates. I didn't have time to think so I had to rely on gut feeling and common sense. Unless people connect, there's no chance of success. So far things have worked out better than I could have hoped for. Seeing the harmony that already exists within the team has really increased my self confidence."

Self confidence is something she needs at the moment. "Now that the team's in place, we're concentrating on optimising our processes and eliminating any problems. Cost-cutting, sales and expanding our delivery network are critical. One of the things I have been most amazed about at TNT is the

trust the organisation has in its staff. Of course they take my track record into account, but I am currently also involved in looking at companies that would be of interest to us for purchase to expand our delivery coverage. I guess it's one of the advantages working for a company as large as TNT that this is possible."

So how has she managed to set up this sort of operation within such a short period of time? Aygül: "Teamwork, teamwork, teamwork and a personal touch. In the same way TNT has trusted me to do my job, I trust my staff. I believe that if you empower people and give them the feeling that their work makes a difference, you will get the most out of them, they will enjoy their work and they will feel appreciated. Of course it's not going to work 100% of the time, but if they feel connected to the company, if you can forge a feeling of personal responsibility, a team is far more likely to succeed."

### AYGÜL ÖZKAN

Depot Manager TNT Post Hamburg  
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Berlin





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# REMUNERATION REPORT

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## INTRODUCTION

The remuneration of the members of the Board of Management is the responsibility of the Supervisory Board. The remuneration committee is appointed 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 of the individual members of the Board of Management.

The remuneration policy is adopted by the general meeting of shareholders. Material changes to the policy are submitted to the meeting for adoption.

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 2006 the remuneration committee comprised Mr. J.M.T. Cochrane (chairman), Mrs. G. Kampouri Monnas, Mr. W. Kok and Mr. R.W.H. Stomberg. No member of the remuneration committee is a member of the management board of another Dutch listed company and no member of the remuneration committee is a member of the audit committee. During 2006, the remuneration committee met five times. The chief executive officer was invited for all meetings except for meetings at which his terms and conditions were discussed. The role of secretary of the committee is fulfilled by a representative of our corporate human resources department.

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,
- Ernst & Young provided tax advice relating to the employment of the US-based member of the Board of Management, and
- Wilfred Klaassen Holding B.V. provided advice relating to the change of pension arrangements of the Dutch members of the Board of Management.

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

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

### OBJECTIVE OF THE REMUNERATION POLICY

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. The members of the Board of Management are rewarded accordingly; an important

part of their remuneration is based on performance of the company. 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 and value creation for its shareholders.

## REMUNERATION ELEMENTS AND MARKET ALIGNMENT

The remuneration for members of our Board of Management consists of three elements:

1. Fixed base salary.
2. Variable compensation, linked to performance, consisting of:
  - a. a short term incentive component, and
  - b. a long term incentive component.
3. Pension arrangements.

The target level for total direct compensation, consisting of base salary and “at target” short and long term variable compensation (numbers 1 and 2 above), is benchmarked against the European reference market for executive directors of multinational companies. The European market is defined as the composite markets 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.

There has not been any adjustment of the level of the fixed base salary, and the “at target” levels for the short term and long term incentives have not been adjusted for the Board of Management since 2004. As a result, the remuneration of the Board of Management is currently below the European reference market. Under the current policy we will increase the base salary and “at target” levels of the short term and long term incentive for all members of the Board of Management for 2007. At the same time, we will also rebalance the pay mix of the remuneration package, so that the total direct compensation for 2007 is increasingly performance driven compared to the 2006 package, in line with the current market trend of emphasis on performance related pay.

Below are summarised and described the features of the current policy, the adjustments to the remuneration as of 2007 under the current policy and the proposed adjustments to the current policy for each component, insofar as applicable.

### BASE SALARY

In order to align the current base salaries to the European reference market, the base salaries of all members of the Board of Management will be increased by 5% for 2007.

### VARIABLE COMPENSATION

We consider variable compensation to be an important part of the remuneration package for the members of the Board of Management. Therefore, a substantial part of the total direct compensation of the members of the Board of Management consists of variable compensation on performance. The bonus targets and performance conditions reflect the key drivers for

value creation and medium to long term growth in shareholder value, as well as drivers for the realisation of our mission-related goals. The challenge for the Board of Management is to achieve sustainable performance for both the short term and the long term.

Compared to 2006 we will increase in 2007 the level of both short term and long term incentives. A description of features of the short term incentive and long term incentive for 2007 follows below.

#### Short term incentive: cash bonus

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

#### Targets

The Supervisory Board sets the targets for the mission-related incentive plan at the beginning of each financial year. For 2007 the following targets will apply:

- Financial targets:
  - economic profit,
  - earnings, and
  - revenue growth.

Since growth is a key target of our strategy, revenue growth has been added in the 2007 target setting with economic profit and earnings being continued from 2006. Depending on the tasks and responsibilities of each individual member of the Board, the financial targets are related to group or division performance. See table below.

- Non-financial targets:
  - exceeding customers' expectations: continued improvements in our relations with customers, which are measured through customer satisfaction surveys and by assessing the relationship with our customers in person,
  - instilling pride in our people: continuous improvement in engaging our staff, which is measured through employee engagement surveys, and
  - sharing responsibility for our world implementing the agreed Social Responsibility standards: making a difference to our environment. This can be accounted for by our global initiatives to reduce the emission of CO<sup>2</sup> and our involvement with the United Nations World Food Programme.

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.

#### Weighting of the targets 2007

For 2007 the weighting of the financial and non-financial targets revert to the 2005 levels. The achievement of financial targets will account for 70% of the bonus (2006: 80%) and the non-financial targets for 30% of the bonus (2006: 20%).

#### Pay out level for the short term incentive

The bonus based on financial targets will be calculated using a sliding scale between the "minimum" target level and the "stretch" target level. Below the "minimum" required performance, the bonus for financial performance is zero. Realisation of the "stretch" target or more, results in the maximum bonus that can be earned. Depending on the realised performance, the level of the bonus payable will be determined as follows:

- "minimum" performance results in a bonus pay out of:
  - 60% annual base salary for members of the Board of Management (2006: 50%),
  - 70% annual base salary for Chief Executive Officer (2006: 50%),
- "target" performance results in a bonus pay out of:
  - 70% annual base salary for members of the Board of Management (2006: 60%),
  - 80% annual base salary for Chief Executive Officer (2006: 60%),
- "stretch" performance results in a bonus pay out of:
  - 100% annual base salary for members of the Board of Management (2006: 75%),
  - 120% annual base salary for Chief Executive Officer (2006: 75%).

All targets are measured separately. The realisation of each target can result independently in bonus payments. TNT does not disclose the targets required, as this qualifies as commercially sensitive information.

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 for 2007 as percentage of the base salary at different performance levels is set out below for each member of the Board of Management.

	Financial targets									Non-financial targets	Total range
	Earnings target			Revenue growth target			Economic profit target				
	minimum	target	stretch	minimum	target	stretch	minimum	target	stretch		
Peter Bakker <sup>1</sup>	33%	40%	80%	13%	16%					24%	0% - 80% -120%
Henk van Dalen <sup>1</sup>	28%	35%	65%	11%	14%					21%	0% - 70% -100%
Harry Koorstra <sup>2</sup>	11%	14%	23%	6%	7%		22%	28%	49%	21%	0% - 70% -100%
Marie-Christine Lombard <sup>2</sup>	11%	14%	23%	11%	14%		17%	21%	42%	21%	0% - 70% -100%

<sup>1</sup> The financial targets for the chief executive officer and the chief financial officer are set in terms of earnings and revenue growth from continuing operations.

<sup>2</sup> The financial 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 and revenue growth of the relevant division.

To bring our short term bonus scheme more in line with market practice, the bonus share matching plan will no longer be applied as of 2007. Under the bonus share matching plan 25% of any short term bonus payable to members of the Board of Management was paid out in shares at the then current market value with accompanying right on matching shares, if at least 50% of the shares is retained for a period of three years. 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. These bonus shares are held in trust by our share administrator. Any bonus payable under the short term incentive scheme in 2007 will be paid out entirely in cash.

### Long term incentive: performance shares

In order to align the objectives of the Board of Management to the value-creation objectives of the shareholders, members of the Board of Management are awarded conditional rights on our shares under the Performance Share Plan. The vesting of performance shares is conditional on the achievement after three years of a certain total shareholder return. 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.

Shares granted to our Board of Management via our equity plans 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.

The value of the total of shares granted to the members of the Board of Management under the Performance Share Plan is benchmarked on a yearly basis against market practice, using the European market for executives as reference. 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. For 2007 the "at target" and grant value of the performance shares will be increased by 44% for the Chief Executive Officer and by 49% for the members of the Board of Management. This increase also compensates for the loss of the bonus matching shares.

### Introduction of a customised index

While respecting the current rules of the Performance Share Plan, the Supervisory Board has introduced a customised index for the measurement of our total shareholder return. For the vesting of the performance shares granted prior to 2007 we compared our total shareholder return 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). The current performance scheme has been replaced by a scheme based on a customised index. Reasons for this adjustment are:

- the previous performance scheme did not take into account any differences in risk profile of the participating companies,
- the limited number of direct competitors compared to the original performance scheme.

In the new index all AEX companies and direct competitors (UPS, Deutsche Post AG, Fedex and Austria Post) are weighted (50%-50%) on the basis of a comparability study in which the various risk profiles of the individual companies are taken into account. Starting in 2007 the total shareholder return of the performance shares granted, will be compared against this customized index. The performance shares in 2007 will vest following a gradual scale of 0% - 150% (2006: 0% - 120%) of the base allocation depending on our total shareholder return performance during the three financial years starting with the year in which they are granted.

During the vesting period, the total shareholder return data are compiled by an external data provider, based on objective data, and reported quarterly. After three years, the final performance of the company compared to the performance of the peer group in the customised index determines the number of shares to be vested. The remuneration committee advises the Supervisory Board on the basis of the sliding performance range set out below.

% difference company performance versus customized index	% of base allocation of performance shares that vest
≥ + 20%	150.0%
+ 10%	112.5%
0%	75.0%
- 10%	37.5%
≤ - 20%	0%

### PENSION ARRANGEMENTS

Our 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 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 revised the pension policy for our Dutch members of the Board of Management to reflect the developments in society with respect to pension rights and to align the policy more closely to the new policy for our employees in the Netherlands under the collective labour agreement (CAO).

In the 2007 annual general meeting of shareholders the following changes in the pension policy will be submitted for adoption. As of 2007, we will move the current Dutch members of the Board of Management from a final pay scheme to a career average scheme accrued at pension. The main features of the career average scheme are:

- pensionable age at 65,
- pensionable income is based on annual base salary only,
- annual accrual rate for the old-age pension is 2.25%,
- offset for state pension at fiscal minimum,
- the benefits are indexed during accrual,
- no employee contribution.

The current Dutch members will receive a compensation for the loss of the early retirement scheme as of the age of 62, which could be used for a life course saving scheme. The current Dutch members of the Board of Management are also offered an allowance against the shortfall caused by the change of pension systems.

New Dutch members of the Board of Management will be offered a career average pension scheme.

## OVERVIEW COMPENSATION & BENEFITS 2006

The table below gives an overview of the three elements of the compensation and benefits calculated for 2006 for each member of the Board of Management.

	Base salary	Accrued short term incentive	as % of base salary	Accrual for long term equity incentive	as % of base salary	Pension related costs
Peter Bakker	900,000	741,067	82%	353,658	39%	121,825
Henk van Dalen <sup>1</sup>	450,000	378,000	84%	40,842	9%	314,968
Harry Koorstra	600,000	507,639	85%	177,617	30%	113,725
Marie-Christine Lombard	600,000	484,914	81%	206,775	34%	276,000
<b>Total</b>	<b>2,550,000</b>	<b>2,111,620</b>		<b>778,892</b>		<b>826,518</b>

(in €)

<sup>1</sup> Employed as of 1 April 2006.

For more detailed information on each element, see note 19 of our consolidated financial statements.

## TERM OF APPOINTMENT AND TERM OF EMPLOYMENT

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 each. 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 reappointment plan. Details on each member appointment(s) are set out below.

	Employed since	Term of employment	Board member since	Year of (re)appointment	Term of appointment
Peter Bakker	14 October 1991	Indefinite	1998	2004	Four years
Henk van Dalen	1 April 2006	Indefinite	2006	2006	Four years
Harry Koorstra	1 October 1991	Indefinite	2000	2005	Four years
Marie-Christine Lombard	15 December 1999	Indefinite	2004	2004	Four years

## SEVERANCE

The contractual termination arrangements for the members of the Board of Management are as follows:

- **notice period:** six months,
- **the contractual severance payments other than related to change of control:** one year base salary or a maximum of two years base salary in the first four-year term, if one year is considered to be 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,
- **severance payments in case of change of control:** the sum of the last annual base salary and pension contribution plus the average bonus received over the last three years, multiplied by two.

## LOANS

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