

chapter 5 – report of the Supervisory Board

2007 –
Annual report

Composition Supervisory Board

The composition of the Supervisory Board changed in 2007. At the annual general meeting of shareholders held on 20 April 2007, Mr. J.M.T. Cochrane announced his resignation as vice-chairman and member of the Supervisory Board effective 31 July 2007. He had been a member of the Supervisory Board since the demerger of TNT in 1998. The Supervisory Board is grateful for his advice, wisdom and dedication over those years. Ms. M. Harris, former partner of McKinsey & Company, was appointed as a new member of the Supervisory Board by the annual general meeting of shareholders held on 20 April 2007.

Messrs. R. Dahan and W. Kok were re-appointed by the annual general meeting of shareholders on 20 April 2007 for additional four year terms. Mr. V. Halberstadt was re-appointed for an additional three year term.

As of the close of the annual general meeting of shareholders to be held on 11 April 2008, the term of Mr. R.J.N. Abrahamsen will expire. Mr. Abrahamsen will be available for re-appointment. Mr. J.H.M. Hommen has announced that he will step down as chairman of the Supervisory Board as soon as a suitable replacement will be available. He will resign from the Supervisory Board at the annual general meeting of shareholders in 2009, when his third term will expire. Mr. Hommen's decision to step down as chairman is due to the fact that as of 1 January 2008 the number of supervisory board positions he holds with Dutch listed companies exceeds the number of five. Also Mr. R.W.H. Stomberg has announced he will step down as a member of the Supervisory Board and chairman of the remuneration committee at the annual general meeting of shareholders on 11 April 2008, two years before his third term will expire. Both Messrs. Hommen and Stomberg have been members of the Supervisory Board since 1998.

Mr. Stomberg will be succeeded by Mr. S. Levy as chairman of the remuneration committee. The Supervisory Board has started the search for two new members for appointment at

the annual general meeting of shareholders on 11 April 2008. The changes in positions were discussed as part of the policy on succession of its members by the Supervisory Board.

Composition committees

The following changes to the composition of the committees took place in 2007: Ms. Harris and Ms. G. Kampouri Monnas were appointed to the audit committee whereas Messrs. Halberstadt and Levy resigned from this committee. Ms. Kampouri Monnas and Mr. Cochrane resigned from the remuneration committee, while Mr. Stomberg took over Mr. Cochrane's position as chairman of this committee and Messrs. Hommen and R. King were appointed to this committee. The composition of the public affairs committee remained unchanged. Mr. Cochrane's position as vice-chairman of the Supervisory Board was not filled. For an overview of the current composition of the committees, see chapter 6.

Induction

As a new member of the Supervisory Board, Ms. Harris attended a full-day induction programme in May 2007. Senior corporate directors went through the strategic, financial, legal and reporting affairs of TNT with Ms. Harris.

Meetings of the Supervisory Board

In 2007, the Supervisory Board held seven meetings, six of which with the Board of Management. The Supervisory Board also held five evening meetings, of which three were attended by the full Board of Management and two by the CEO only. Four of the evening meetings were concluded with private sessions of the Supervisory Board with no members of the Board of Management present. The chairman had frequent meetings with the CEO, and from time to time with other members of the Board of Management, in between the Supervisory Board meetings.

The Supervisory Board held no meetings by telephone. Most meetings were attended by the full Supervisory Board. There was no frequent absence of any of the members of the Supervisory Board.

In February, the Supervisory Board approved the amendment of TNT's articles of association involving the conversion of the special share held by TNT previously acquired from the State of the Netherlands. The Supervisory Board approved TNT's 2006 financial statements and 2006 full year dividend. The management letter by TNT's auditors, PricewaterhouseCoopers Accountants N.V., the TNT Reserves and Dividends Guidelines and the 2006 social responsibility report were discussed. The cancellation of shares purchased by TNT under the share buy-back programme announced on 26 February 2007 and the agenda for TNT's annual general meeting of shareholders of 20 April 2007 were approved. Finally, the terms of reference of the public affairs committee -of the Supervisory Board were amended.

In April, the remuneration of the Board of Management was discussed.

In May, the Supervisory Board discussed the 2007 first quarter results. The Supervisory Board discussed and approved the amended by-laws of the Supervisory Board and the Board of Management. The terms of reference of the audit committee of the Supervisory Board were revised. The Supervisory Board also reviewed and approved updated group policies on inside information and auditor independence & pre-approval and discussed and approved the proposed delisting from the New York Stock Exchange and the related deregistration with the United States Securities and Exchange Commission.

In June, the Supervisory Board jointly with the Board of Management visited TNT's newly acquired Chinese freight and parcels company Houa.

In July, the Supervisory Board held the annual strategy meeting together with the Board of Management, reviewing both the business strategies of the Mail and Express divisions as well as the group strategies, including the financial strategies.

At its regular meeting held in July, the 2007 second quarter results and the half-year management letter by PricewaterhouseCoopers Accountants N.V. were discussed, and the Supervisory Board approved the 2007 interim dividend. The Supervisory Board also discussed the progress on the roll-out of the integrity programme. The Supervisory Board approved the financing strategy 2007/2008, including a share buy-back programme of up to €500 million. A first tranche of up to €200 million and a second tranche of up to €100 million have been completed to date is currently in progress. The acquisitions completed in 2006 and early 2007 were followed closely by the Supervisory Board in 2007. Attention was also devoted to the prevention of road and workplace accidents, especially in India and in Brazil.

In October, the 2007 third quarter results were discussed. The Supervisory Board discussed new commercial and cost-saving initiatives for the Dutch Mail operations in response to changing market dynamics from increased competition and substitution. Fatality reporting was discussed as well as developments with respect to the postal activities in Germany.

In December, the Supervisory Board discussed the 2008 preliminary budget plan with the Board of Management. The Supervisory Board also reviewed the company's talent management and succession planning. The Supervisory Board discussed the risk management process including the material risks per division and for TNT as a whole. The progress with respect to the negotiations with the trade unions regarding new initiatives of the Master Plans, European Mail Networks Germany, Parcels UK and fatality reporting were discussed. In the December evening meeting, the Supervisory Board evaluated with the CEO the functioning of the Board of Management and its individual members. Subsequently, the Supervisory Board discussed in a private session the functioning of the CEO and, based on an elaborate self-assessment, its own functioning, its profile, composition and competence and the functioning of its committees.

Strategy

In July, the Supervisory Board together with the Board of Management discussed the 2007- 2012 strategy. TNT's strategy is to focus on providing delivery services by expertly managing delivery networks. TNT calls its strategy Focus on Networks,

which strategy was launched in December 2005. The first phase of this strategy was well underway mid 2007. An update was given on EMN and the integration of Express acquisitions. Various growth initiatives were discussed as well as finance strategy.

With the start of the second phase of Focus on Networks in December 2007, the Supervisory Board and the Board of Management discussed the emphasis for the coming period on further strengthening the Express emerging business and integrating the acquired businesses in TNT's Express networks. The Supervisory Board acknowledges this emphasis. In Mail the focus was on maintaining market share in the Netherlands home market and capturing growth opportunities outside TNT's home market. In 2007, TNT launched cost saving initiatives that are currently under negotiation with the trade unions.

Meetings of the committees

Audit committee

In 2007, the audit committee met five times. All meetings were attended by the CEO (except in December), CFO, internal auditor and external auditor. On a quarterly basis, the audit committee held individual private conversations with the CEO, CFO, internal auditor and external auditor. The audit committee discussed the full year 2006 and half-yearly 2007 management letters as well as TNT's 2006 annual results and the 2007 first quarter, half year and third quarter results with TNT's external auditor PricewaterhouseCoopers Accountants N.V. It also reviewed press releases and analyst presentations related thereto and compliance with TNT's Group Policy on Auditor Independence & Pre-Approval. The reports of TNT's internal auditors were discussed on a regular basis. The audit committee further reviewed the TNT Reserves and Dividend Guidelines and proposals for the full year dividend 2006 and interim dividend 2007.

In February and July, the audit committee reviewed TNT's internal control mechanisms and risk management processes. Regular updates were given on integrity matters. The audit plan 2007 was discussed with PricewaterhouseCoopers Accountants N.V. and the audit fee proposal for 2007 approved. Starting in February the Board of Management and the audit committee conducted their three yearly assessment of the functioning of the external auditor PricewaterhouseCoopers Accountants N.V. In December the audit committee reviewed the preliminary budget plan 2008 and internal audit plan 2008.

Due to the termination of TNT's listing on the New York Stock Exchange on 18 June 2007 and the termination of its reporting obligations with the United States Securities and Exchange Commission as of 16 September 2007, the requirements of the Sarbanes-Oxley Act were no longer applicable as of that date. The effects on internal control testing due to the delisting and deregistration were discussed. It was agreed to maintain a high standard of corporate governance, information and disclosure after deregistration, in line with Dutch corporate governance code and regulatory requirements. The SUN project, which comprises key initiatives to optimise the fiscal, legal, accounting and treasury structure of the organisation and its subsidiaries, was discussed. The financing strategy 2007/2008, including a share buy-back programme of up to €500 million, was also reviewed.

During the year the audit committee discussed the progress of the negotiations on the UK tax matter and the effect on the estimated realistic range of contingent tax liabilities. On 6 December 2007, the finalisation of all investigations and the settlement of all UK tax matters was announced, with no additional liabilities beyond what was accrued for. The contingent tax liability of “between €100 million and €250 million”, as disclosed in the annual report for 2006, is no longer required.

Remuneration committee

In 2007, the remuneration committee held seven meetings. The remuneration committee is responsible for assessing and preparing the remuneration policy applicable to the members of the Board of Management. Early in the year, the remuneration committee discussed the amendments to the remuneration policy for the Board of Management, which amendments were adopted by the general meeting of shareholders on 20 April 2007. In the second half of the year, some minor amendments to the remuneration for 2008 were discussed as well as the components of the remuneration of the Board of Management which were checked against market practice.

See chapter 7 for further details on remuneration for the Supervisory Board and the Board of Management, including a further explanation of the remuneration policy and actual remuneration and the relation between remuneration and performance of members of the Board of Management for 2007.

Nominations committee

The nominations committee held two meetings in 2007. In January, the composition of the Supervisory Board and committees was reviewed. In December, the vacancies in the Supervisory Board as of 11 April 2008 were discussed as well as the rotation plan of the Supervisory Board. The composition and succession planning of the Board of Management were also discussed.

Public affairs committee

The public affairs committee met five times in 2007. The committee discussed national postal regulatory developments, including the proposed new Dutch postal law and the status and various related subjects of the liberalisation of the European postal market. The public affairs committee reviewed TNT's 2006 social responsibility report and the work plan for the 2007 social responsibility report. Throughout 2007, the committee reviewed and discussed the new commercial and cost-saving initiatives for the Dutch mail operations, fatality reporting and the Planet Me initiatives. The negotiations with the labour unions on the new collective labour agreement and the new initiatives on the Master Plans were discussed as well as the mobility collective labour agreement.

Reporting by committees

Each committee reported its findings and conclusions on a regular basis, both verbally and in writing, to the full Supervisory Board. Minutes of the audit committee meetings were prepared over-night, being available in draft to the full Supervisory Board the next morning prior to the regular Supervisory Board meeting.

Independence of members of the Supervisory Board

Each Supervisory Board member's year of birth, current and former positions, and other supervisory board memberships held are presented in chapter 6. Also listed are the date and term of first appointment, current term of office and memberships of the Supervisory Board committees.

The Supervisory Board confirms that all members of the Supervisory Board are independent in the sense of best practice provision III.2.2 of the Dutch corporate governance code.

Diversity within the Supervisory Board

In December 2007, the Dutch Corporate Governance Code Monitoring Committee (the Frijns Committee) issued its third advisory report with inter alia recommendations on diversity in the composition of supervisory boards of companies listed on Euronext Amsterdam. The Supervisory Board supports the recommendations made by the Frijns Committee and will apply them wherever possible and feasible.

TNT adheres to best practice III.1.3 of the Dutch corporate governance code, which states that information must be given in the annual report on the members of the Supervisory Board themselves. Further to the recent recommendations of the Frijns Committee, the Supervisory Board has explicitly included in the information given on its members the number of women in the Supervisory Board together with information on nationality, age, expertise and social background.

The Supervisory Board consists of ten members. Of these ten members, two are women (20%). With respect to nationality, half of the board members are non-Dutch. In this group five different nationalities are represented. The average age is 63, the difference in age ranges between 41 and 70.

All members have a university degree or the equivalent thereof. The field of expertise ranges from (public) finance (professor) to members who are experienced in consultancy and marketing to members who have operational experience, both in the United States, in the Far East as well as in Europe.

The profile of the Supervisory Board is such that each member shall be capable of assessing the broad outline of the overall policy and shall have the specific expertise required for the fulfilment of the duties assigned to the role designated to him or her within the framework of the profile. Each member shall have sufficient time available for the proper performance of his or her duties. Each member shall have an international background whereby various nationalities shall be represented. Re-appointment is not automatic, but depends on the performance in question. The Supervisory Board shall consist of a mix of persons with executive experience, preferably gained in the private sector, in the corporate governance of large listed companies and experience in the political and social environment in which such companies operate. The Supervisory Board has ensured the composition of its board to fit the profile and thus to be as independent and diverse as possible. The Supervisory Board feels the quality of its functioning has greatly benefitted from this approach.

Compliance

The Supervisory Board confirms that in 2007 no decisions were taken by the Supervisory Board that did not comply with its by-laws.

Financial statements

This annual report and the 2007 consolidated financial statements, audited by PricewaterhouseCoopers Accountants N.V., were presented to the Supervisory Board in the presence of the Board of Management and the external auditor. PricewaterhouseCoopers Accountants N.V.'s report can be found on page 125.

The Supervisory Board recommends that the general meeting of shareholders adopts the 2007 consolidated financial statements of TNT. The annual general meeting of shareholders will be asked to release the members of the Board of Management from liability for the exercise of the management of TNT's affairs and management. The appropriation of profit approved by the Supervisory Board can be found on page 126.

Subject to adoption of the financial statements, a final dividend of €0.55 per ordinary share of €0.48 nominal value will be paid in respect of the 2007 financial year. An interim dividend of €0.30 has already been paid in 2007, so the total dividend per ordinary share in respect of 2007 will be €0.85.

The Supervisory Board wishes to thank the Board of Management and all employees of TNT for their outstanding contributions in 2007.

Supervisory Board —
Amsterdam, 18 February 2008