



Sustainability Report 2010

KPN in the community

KPN aims to be the best service provider in the communications industry. We offer products and services that are simple to use and that help customers achieve personal goals or business objectives.

We've been bringing people together for over 125 years. Our technology and our services make it possible for people to share important moments in their lives. That's where our strength lies.



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KPMG Sustainability has checked this sustainability report and has noted its compliance with an 'A+' application level according to the Global Reporting Initiative.

This report specifically reviews developments and performance in the area of sustainability in 2010. More static elements (such as our CSR organization, relevant outside memberships and the like) are featured in the GRI table on our web site. Unless otherwise stated, references in this report to KPN should be read as referring to the KPN Group. Unless otherwise stated, references in this report to Getronics should be read as referring to the whole of Getronics. References to E-Plus are to be read as references to E-Plus Gruppe.

Introduction by the CEO

Three years ago KPN launched its ‘Back to Growth’ strategy for the period that was to close at the end of 2010. This strategy called for us to become the leading service provider in the Netherlands and for us to perform consistently better than the market at the international level. Despite a difficult economy we are satisfied with the results of the strategy, although we recognize that we face challenges requiring us to make further improvement.

Ad Scheepbouwer Chairman of the Board of Management and CEO, KPN



KPN works every day for our Dutch and international customers. Customers are our *raison d'être*. If we perform well it is through them that we can maintain growth. We acknowledge that growth is only possible if we excel in service and financial performance, as well as if we opt for a sustainable strategy. That is a strategy that homes in on a number of major themes at work in society: climate change, an ageing population, social isolation and the work-life balance. KPN has deliberately chosen to position itself in sympathy with these themes. As a company we wish to take part in the debate about future developments: for example, the issue of how to make the climate issue manageable. Our link to society is rooted in our core competence: making contact: This is the ability we want to deploy in fostering the connection of groups of people such as the elderly and those in social isolation. In short, we believe it to be of importance to harness the technology that we as a company use and deliver so as to make a positive, business-integrated contribution towards solving major social problems or keeping them manageable. It is a pleasure to share with you our efforts and results in this Sustainability Report for 2010. We invite you to pass on to us your comments about this report and our sustainability performance on mvo@kpn.com.

Both as a company and as a supplier KPN is actively involved in the contemporary approach to the combination of work, provision of care, working hours and free time. We term this CSR theme the New Way of Working. This concept enables people to live and work in the location and at the time of their preference. Ten thousand KPN people can now take part in the New Way of Working. We are convinced of the necessity to take care of the resources that underpin our existence, if only for future generations. Our preoccupation with the natural world around us is translated into our CSR theme of Responsible Energy Use. This compels us to make wise and careful use of energy, an approach that simultaneously reduces costs. We succeeded in doing this again in 2010. Lastly, our preoccupation with society: attention for those for whom contact with others is far from self-evident. This is our third CSR theme: People Connected. The Finest Contact Foundation plays a key role here. With the voluntary commitment of many KPN people over the past year we support the initiatives of The Finest Contact Foundation that improve social contact.

We believe we succeeded in improving our relationship with society in 2010. We have surpassed our energy efficiency target for data centers, we are on target in terms of our use of 'green electricity' in the Netherlands and we have registered a major step forward in the area of the New Way of Working both internally and in terms of market visibility. Many hundreds of our people volunteered their services yet again as part of the initiatives of The Finest Contact Foundation. The progress we have made has received external recognition. KPN gained listing on the

Highlights of 2010

- 10,000 KPN people can work using the New Way of Working.
- 77 per cent of our electricity in the Netherlands is 'green'. This will rise to 100 per cent in 2011. In Belgium we have been using 100 per cent 'green' energy since the end of 2010.
- 1,685 KPN people participated 2200 times in The Finest Contact Foundation projects. This is 8 per cent of our workforce in the Netherlands.
- 82 per cent of employees in the Netherlands agree that KPN follows CSR principles in its business.
- Listing on the Dow Jones Sustainability Index.
- KPN's sustainability report takes it to the #1 position in the Transparency Benchmark of the Ministry of Economic Affairs, Agriculture and Innovation.
- The World Wildlife Fund (WWF) asks KPN to join the Climate Savers program.

Dow Jones Sustainability Index, a target we had set ourselves for 2011. Inevitably, we see that new sustainability challenges lie ahead for us. The public debate in the Netherlands surrounding help desks and billing calls by the minute was nothing new to us: we are fully aware that customer satisfaction is not developing as we would wish. Our own surveys point in the same direction. Customer loyalty scores have certainly not improved significantly, and you will therefore find tougher targets in this report. In 2010 we signed on to the United Nations Sustainability Platform, the Global Compact. With that decision we have taken on an obligation to contribute towards achieving the Millennium Development Goals for 2015 set by the United Nations. The GRI table that is part of this report and that can be consulted on our web site features further details.

We will pursue our CSR policy in 2011. With Eelco Blok, the new CEO who will take up his post as from April's Annual General Meeting of the Shareholders, KPN will continue to invest in service, employees and its relationship with society. Eelco's responsibility for KPN Mobile International means that he has already been involved in KPN's CSR operations in Belgium and Germany. We believe we can create new opportunities for people and businesses with our communications and ICT services. These are opportunities with which we can help people make their lives easier, better and more enjoyable.



Ad Scheepbouwer

Chairman of the Board of Management and CEO

The Hague, 22 February 2011

Highlights – Sustainability report 2010



← E-Plus partners NABU, the German nature conservancy organization

→ January

February

March

April

May

June



↑ Dutch skating sponsorship commences



↑ Green tip in the Consumer market

77%

77% green electricity in the Netherlands. In 2011 KPN will use 100% green electricity in the Netherlands and Belgium.

2010

↓ Getronics' Green ICT Campaign

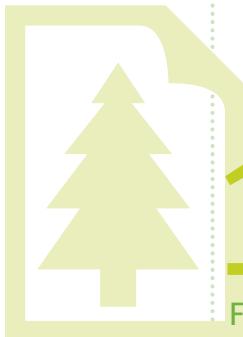


←
Establishment
of the WebCare
Team, providing
customers with
online dialog

July



↑ The Finest Contact Foundation runs a major winter event



100%
FSC-papier

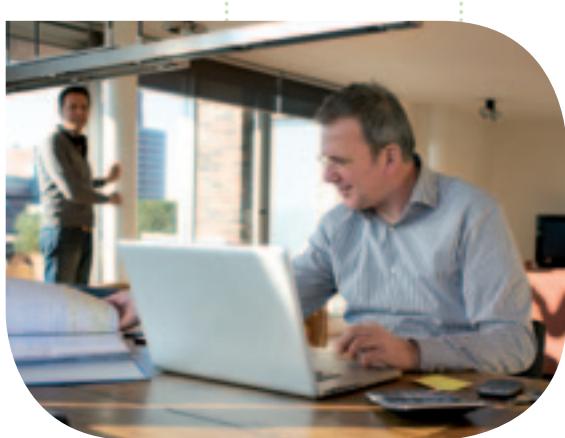
August

September

October

November

December



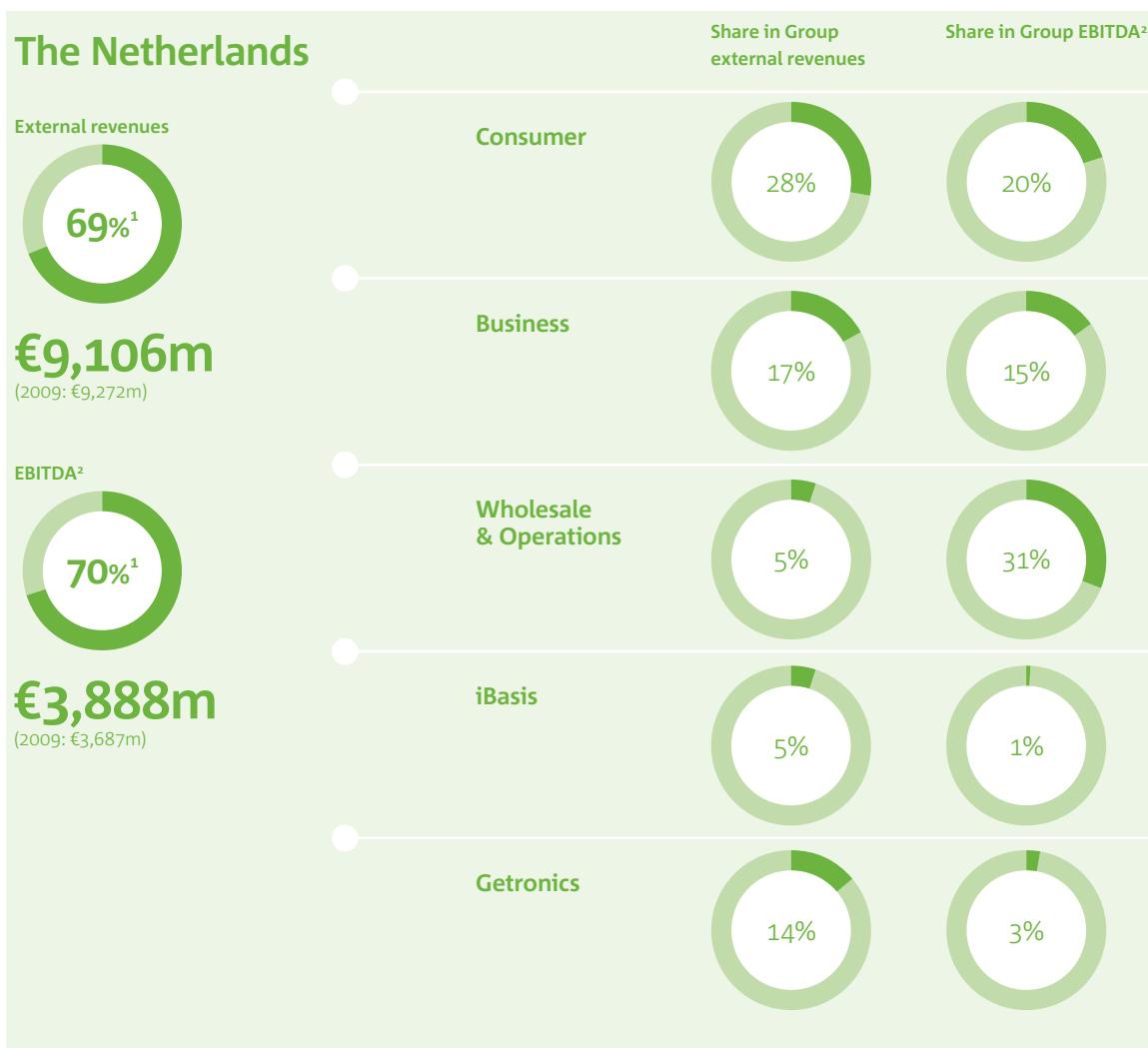
↑ 10,000 KPN people
can work using the
New Way of Working



Dow Jones
Sustainability Indexes
Member 2010/11

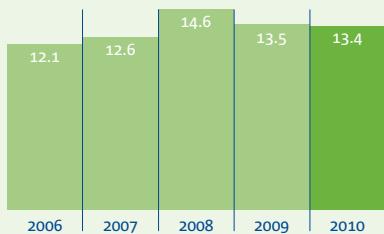
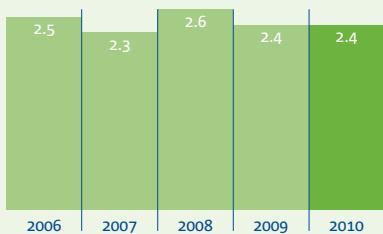
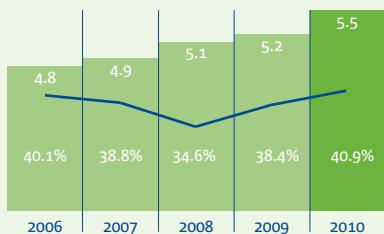
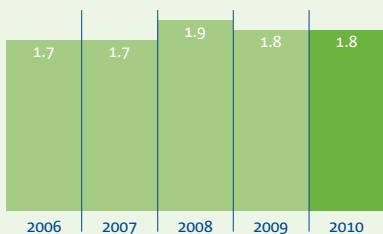
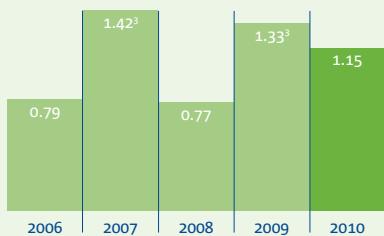
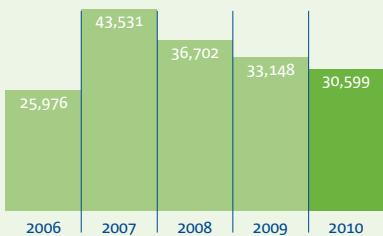
↑ Listing on the Dow Jones
Sustainability Index

Key figures



¹) Share in Group external revenues and EBITDA.

²) This Annual Report contains a number of non-IFRS measures, such as EBITDA and free cash flow. These non-IFRS measures should not be viewed as a substitute for KPN's IFRS measures. EBITDA is defined as operating profit plus depreciation, amortization and impairments.

Revenues and other income
 (in billions of EUR)

Free cash flow
 (in billions of EUR)

**EBITDA (in billions of EUR)/
EBITDA margin**

Capital expenditure
 (in billions of EUR)

Earnings per share¹
 (EUR)

Number of FTEs as of December 31²

Net debt/EBITDA

Operating profit
 (in billions of EUR)


1) The increase in earnings per share in 2007 and 2009 is partly due to a tax gain of EUR 1.2 billion (2007) and EUR 0.7 billion (2009) regarding recognition of additional deferred tax assets at E-plus.

2) The increase in the number of FTEs in 2007 resulted mainly from the acquisition of Getronics.

Summary of results and targets

Governance				
	Result 2009	Target 2010 and beyond	Result 2010	Target 2011
CSR policy implementation *	CSR Steering Committee with business owners of all major divisions	CSR policy visibly implemented across all major divisions	The CSR Steering Committee met seven times	–
Benchmarking *	66 DJSI points (max: 100)	76 DJSI points (max: 100). Admission to DJSI in 2011	Listing on the Dow Jones Sustainability Index	Maintain listing on the Dow Jones Sustainability Index
Connection to society *	Internal, external, customer and stakeholder dialogs	<ul style="list-style-type: none"> • Three civil society dialogs • Three major customer dialogues • Three internal stakeholder dialogue sessions • Participation in ten stakeholder dialog sessions run by other organizations 	<ul style="list-style-type: none"> • Six social dialogs • Five major customer dialogs • One internal stakeholder dialog • Participation in twelve stakeholder dialog sessions run by other organizations 	–

* KPN Group

Our customers and our people				
	Result 2009	Target 2010 and beyond	Result 2010	Target 2011
Service *	Net Promoter Score: better than our competitors, but not as good as planned	Loyalty leader in all product segments	Loyalty leader in 11 of the 24 product market segments	<ul style="list-style-type: none"> • Loyalty leader in 16 of the 25 product market segments • 8% point increase in Net Promoter Score
Employee rating	77% of the employees agree that KPN Nederland operates in line with CSR values	75% of the employees agree that KPN Nederland operates in line with CSR values	<ul style="list-style-type: none"> • 82% of the employees agree that KPN Nederland operates in line with CSR values • 62% of the employees agree that Getronics Nederland operates in line with CSR values 	70% of the employees agree that KPN Nederland and Getronics Nederland operate in line with CSR values
Diversity	19% of senior management at KPN Nederland are women **	17% of senior management at KPN Nederland and Getronics Nederland are women	16% of senior management at KPN Nederland and Getronics Nederland are women	17% of senior management at KPN Nederland and Getronics Nederland are women
	18% of middle management at KPN Nederland are women **	17% of middle management at KPN Nederland and Getronics Nederland are women	16% of middle management at KPN Nederland and Getronics Nederland are women	17% of middle management at KPN Nederland and Getronics Nederland are women
	23% of employees at KPN Nederland and Getronics Nederland are women	Women will constitute 30% of employees at KPN Nederland and Getronics Nederland in 2015	23% of employees at KPN Nederland and Getronics Nederland are female	Women will constitute 30% of employees at KPN Nederland and Getronics Nederland in 2015

* KPN Nederland

** Excluding KPN Contact, Xs4All, Telfort and Business Market units merged with Getronics in 2009

The New Way of Working

	Result 2009	Target 2010 and beyond	Result 2010	Target 2011
Engaging in debate with society *	Participation in Nederland Bereikbaar and keynote speaker at various congresses	Visible position in debate with society	KPN participated 50 times in debates with society about the New Way of Working	50% of the 500 largest organizations in the Netherlands consider Getronics an opinion leader for the New Way of Working
Introduction of the New Way of Working into KPN *	–	On the way to 5% fewer peak-hour kilometers in 2012	No reliable data for % peak-hour kilometers	Develop a technique for measuring CO ₂ savings for the New Way of Working
	3,563 New Way of Working workstations. Plus 7000 flexible workstations	7,000 New Way of Working workstations	9,000 New Way of Working workstations	–
	–	8,000 meetings replaced by videoconferencing	15,516 meetings replaced by videoconferencing	–
	29% more employees can work remotely	10,000 active New Way of Working staff	10,407 KPN people can work using the New Way of Working	11,000 KPN people can work using the New Way of Working
Contributing to good employer conduct and mobility *	New Way of Working marketing campaign	Commercial application and prominence of KPN as supplier of the New Way of Working	Sharp increase in contact persons (excluding of ICT procurement) for business customers	15% growth in usage by customers of 3 typical 'New Way of Working' services

* KPN Nederland and Getronics Nederland together

Responsible Energy Use

	Result 2009	Target 2010 and beyond	Result 2010	Target 2011
Fixed and mobile network in the Netherlands	<ul style="list-style-type: none"> • Measures that save 32 GWh • Annual energy efficiency targets 2010–2012 • Energy efficiency measurement units 	<p>On the way to 20% absolute reduction in energy by 2020 in comparison with 2005:</p> <ul style="list-style-type: none"> • Measures that save 26 GWh • Max 2% increased power use in 2010 and 2011, falling thereafter 	<ul style="list-style-type: none"> • Measures saved 38 GWh • Electricity consumption identical to 2009 	<ul style="list-style-type: none"> • On the way to 20% absolute reduction in energy by 2020 in comparison with 2005: • Measures that save 32 GWh • Max 2% increase in electricity consumption in 2011, falling thereafter.
Mobile network, Belgium and Germany	Energy efficiency targets set for 2012 and 2020	<ul style="list-style-type: none"> • On the way to 20% greater energy efficiency by 2020 in comparison with 2009 and 5% more energy-efficient in 2012 • Annual energy efficiency targets 2010–2012 	<ul style="list-style-type: none"> • Annual targets set 	<p>On the way to 20% greater energy efficiency by 2020 in comparison with 2009:</p> <ul style="list-style-type: none"> • Germany: 5% more energy-efficient in 2011 and 9% in 2012 in comparison with 2009 • Belgium: 5% more energy-efficient in 2012 in comparison with 2009
Data centers *	<ul style="list-style-type: none"> • Measures that save 2 GWh (1.3% of data center consumption) 2009) • 21% more energy-efficient in comparison with 2005 (PUE basis) 	<p>On the way to 20% greater energy efficiency by 2020 in comparison with 2005:</p> <ul style="list-style-type: none"> • Measures that save 9 GWh (6% of 2010 data center consumption) as opposed to doing nothing • 20% more efficient in comparison with 2005 (PUE basis) • Raise 2020 target 	<ul style="list-style-type: none"> • Measures saved 6 GWh • 23% more energy-efficient in comparison with 2005 	<p>On the way to 30% greater energy efficiency by 2020 in comparison with 2005:</p> <ul style="list-style-type: none"> • 24% more energy-efficient in 2011 in comparison with 2005
Green electricity	In the Netherlands 56%	<ul style="list-style-type: none"> • In the Netherlands 75%. In 2011: 100% in the Netherlands • Germany and Belgium: investigate financial feasibility and green electricity availability 	<ul style="list-style-type: none"> • In the Netherlands: 77% • In Belgium: 34% • In Germany: 29% 	<ul style="list-style-type: none"> • In the Netherlands: 100% • In Belgium: 100% • In Germany: 50% in 2011, 75% in 2012 and 100% in 2020
CO ₂ compensation *	–	As from 2012 remaining CO ₂ emissions (capped at 15% of total emissions)	–	Compensate remaining CO ₂ emissions from 2012
Vehicle fleet *	<ul style="list-style-type: none"> • Over 70% of all passenger vehicles carry A, B or C energy label • 20% of new cars are hybrid 	New step toward a greener lease policy	New target set	35% absolute CO ₂ saving to be made by Dutch vehicle fleet in 2016 in comparison with 2010 (34.9 kton CO ₂ emissions in 2010)
Sustainable procurement program *	82 suppliers sign code of conduct	80% of the 58 suppliers at risk sign code of conduct	94% of the high-risk suppliers signed the Supplier Code of Conduct	<ul style="list-style-type: none"> • 95% of the high-risk suppliers sign the Supplier Code of Conduct • 80% of the medium-risk suppliers sign the Supplier Code of Conduct

	Result 2009	Target 2010 and beyond	Result 2010	Target 2011
	Two external audits in Asia and site visits for outsourcing	Twelve external audits at manufacturers located in low-wage countries via E-TASC	37% (23) of the high-risk suppliers took part in the self-auditing system (E-TASC)	<ul style="list-style-type: none"> • 95% of the high-risk suppliers take part in the self-auditing system • 50% of the medium-risk suppliers take part in the self-auditing system • 5 on site audits at high-risk suppliers
	–	Relevant environmental themes in procurement criteria	Relevant environmental themes incorporated into procurement criteria	–
Services and products *	InternetPlusBellen standard modem 17% more energy-efficient than predecessor	<ul style="list-style-type: none"> • Visible positioning of Green ICT services in the market • Growth of energy management services • Customer information for energy saving • Sustainable image in KPN stores, kpn.com 	<ul style="list-style-type: none"> • Getronics' Green ICT Campaign • Groene Tip in the consumer market • 12.5 GWh saved at customers 	<ul style="list-style-type: none"> • 25 GWh long-term savings amongst customers thanks to more energy-efficient equipment • Develop a technique for measuring CO₂ savings for Green ICT
Recycling discarded mobile phones *	21,382 mobile phones	25,000 mobile phones	26,302 mobile phones	50,000 mobile phones
Environmental management *	–	Relevant business units have ISO 14001 certification	Start of ISO 14001 certification audit	Relevant business units have ISO 14001 certification

* KPN Nederland and Getronics Nederland together

People Connected

	Result 2009	Target 2010 and beyond	Result 2010	Target 2011											
Motivating employees *	1,623 KPN employees participated 2,083 times on voluntary projects	KPN employees participated 2,000 times in The Finest Contact Foundation projects	1,685 KPN employees participated 2,213 times in The Finest Contact Foundation projects	KPN employees participated 2,000 times in The Finest Contact Foundation projects											
Target group coverage *	<table border="0"> <tr> <td>164 children with ICT set</td> <td> <ul style="list-style-type: none"> • 175 children with ICT set • 90 autistic children participate in SociaalOpStap </td> <td> <ul style="list-style-type: none"> • 192 children with ICT set • 116 autistic children participate in SociaalOpStap </td> <td>–</td> </tr> <tr> <td>3,400 senior citizens in the ComputerPlusBus</td> <td>3,500 senior citizens in the ComputerPlusBus</td> <td>2,763 senior citizens in the ComputerPlusBus</td> <td>–</td> </tr> <tr> <td>–</td> <td>Develop a method for measuring the contribution made by The Finest Contact Foundation to reducing social isolation</td> <td>Preliminary review of methods available for measuring the contribution made by The Finest Contact Foundation to reducing social isolation</td> <td>Develop a method for measuring the contribution made by The Finest Contact Foundation to reducing social isolation</td> </tr> </table>	164 children with ICT set	<ul style="list-style-type: none"> • 175 children with ICT set • 90 autistic children participate in SociaalOpStap 	<ul style="list-style-type: none"> • 192 children with ICT set • 116 autistic children participate in SociaalOpStap 	–	3,400 senior citizens in the ComputerPlusBus	3,500 senior citizens in the ComputerPlusBus	2,763 senior citizens in the ComputerPlusBus	–	–	Develop a method for measuring the contribution made by The Finest Contact Foundation to reducing social isolation	Preliminary review of methods available for measuring the contribution made by The Finest Contact Foundation to reducing social isolation	Develop a method for measuring the contribution made by The Finest Contact Foundation to reducing social isolation		
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* KPN Nederland and Getronics Nederland together





KPN in the community

KPN contributes to a sustainable future

KPN in the community

Almost everybody knows KPN. We are a large company that has been making its presence felt in the Netherlands for over 125 years. We are firmly rooted in society at large and, thanks to the part we play with our ICT infrastructure, we feel a strong involvement. This drives our commitment to help build a sustainable future. We are convinced that corporate social responsibility makes us a better service provider. Our position within society allows us to understand how and where to deliver a relevant contribution.

1.1 Results and targets

	Result 2009	Target 2010 and beyond	Result 2010	Target 2011
CSR policy implementation *	CSR Steering Committee with business owners of all major divisions	CSR policy visibly implemented across all major divisions	The CSR Steering Committee met seven times	–
Benchmarking *	66 DJSI points (max: 100)	76 DJSI points (max: 100). Admission to DJSI in 2011	Listing on the Dow Jones Sustainability Index	Maintain listing on the Dow Jones Sustainability Index
Connection to society *	Internal, external, customer and stakeholder dialogs	<ul style="list-style-type: none"> • Three civil society dialogs • Three major customer dialogues • Three internal stakeholder dialog sessions • Participation in ten stakeholder dialog sessions run by other organizations 	<ul style="list-style-type: none"> • Six social dialogs • Five major customer dialogs • One internal stakeholder dialog • Participation in twelve stakeholder dialog sessions run by other organizations 	–

* KPN Group

1.2 Our role in the society

Our role in society carries with it responsibilities. One of our duties is to ensure our finances remain sound: many people depend on us, be they customers, employees, shareholders or suppliers. A healthy environment is indispensable and explains our investment in corporate social responsibility. That investment means harnessing our products to social needs, operating in an environmentally aware and climate-friendly fashion and fostering a society that everybody can take part in.

Connecting people, bringing them into contact with one another, is our core competence as well as our guiding principle. We provide products and services that allow people to work freed from the constraints of time or place. More and more, people need freedom of choice and the right work-life balance. They want to have a say in where and when they work, so that they can combine work with other matters such as care-giving or voluntary activities. This benefits both the employee and society at large. KPN has thus decided to develop products and services that make the New Way of Working possible for businesses and their employees. We have also adopted the New Way of Working for our own employees.

ICT is playing an ever greater part in our life and certainly in the Netherlands. KPN's aim is to be a sound, profitable company by contributing to progress within the society at large. Over the past years we have been investing EUR 1.1 billion every year in our Dutch ICT infrastructure, for example in the roll-out of our fiber services, our fixed and mobile networks, our data centers and our retail outlets.

A healthy future

ICT can offer solutions to the challenges faced by our society. For example, in the care sector and in education our ICT infrastructure can make the difference. We work in close collaboration with these sectors to develop solutions that allow them to progress. The mobile network and fast internet connections across a fiber network make remote care possible.

We developed the Lokafoon, a mobile alarm service for individual clients of care institutions. The virtue of the device lies in its size: no bigger than a wristwatch. The user's movements are not restricted and he or she needs no personalized supervision. In 2010 several hundred patients were given a Lokafoon.

Working with the Erasmus MC, in 2010 KPN developed a measuring station for diabetics. Diabetics are forecast to number 1.5 million in the Netherlands by 2025. Such rapid growth means that good care can no longer be taken for granted. Innovations of this kind exemplify the solutions KPN offers for these problems. Patients can do most of the measurements themselves, as a result of which they can better manage their condition. The data is transferred to the ICT systems of the hospital or family doctor.

The time saved allows the doctor or nurse to devote greater attention to customized treatment of the patient. As the initiative-taker behind eHealthNu we made a major commitment in 2010 to self-care management. We want to use modern communications technology to enable care institution clients to become less reliant on visits to a hospital or family doctor. KPN is developing services that allow patients with specific medical conditions to diagnose and monitor themselves. The objective is greater convenience and independence for the patient and a reduced burden falling on care institutions. We will pursue these initiatives in 2011.

A safe future

ICT contributes to human emancipation. Knowledge has become more accessible thanks to the enhanced options offered by internet-based communication and information. All the more so in the Netherlands, which enjoys one of the world's highest levels of penetration for broadband connections. Easy access assists people in obtaining useful information and in forming an opinion. Communication between the authorities, the citizens and the emergency services can save lives in every disaster. Reliable, disruption-free ICT is indispensable and KPN is often involved in national disaster training exercises. The KPN Network Operating Centers (NOC) in Hilversum and in The Hague play a key role. KPN supports the 112 service, the national emergency number, the Nationale Noodnet and C2000, the national network for the emergency services. In 2010 KPN took part in Cyberstorm III, an international training exercise involving an imaginary cyber attack by a foreign power.

A clean future

The ICT industry is one of the major energy consumers. Our sector is directly responsible for two per cent of global CO₂ emissions. The ICT industry sells millions of telephones and other ICT equipment that put a burden on scarce natural resources. ICT usage will increase rather than decrease in the future. KPN sees it as its responsibility to promote energy savings and innovation in the chain. Together with other European telecom operators KPN signed the EU Code of Conduct for Broadband Equipment

We are convinced that the operations of the ICT industry can become ever more energy-efficient. We believe in 'green ICT' and deliver on that promise by maximizing our own ICT energy efficiency and by reducing our CO₂ emissions. KPN aims to be climate-neutral by 2020. This means that on balance we will no longer emit any CO₂. We wish to achieve this through a number of steps, such as saving on energy, increasing the energy efficiency of our network and that of our data centers and using green electricity. CO₂ compensation is the last step. In 2011 we will use exclusively green electricity in the Netherlands and Belgium.

We have received a great deal of recognition from outside

for our climate policy. In 2010 the World Wildlife Fund (WWF) confirmed that we comply with the criteria to participate in their international Climate Savers program. The program calls for businesses to work with the WWF on achieving a switch to a completely sustainable energy supply. We will sign the cooperation agreement with the WWF in early 2011. This means that we will share our knowledge and experience in the area of energy savings with others to arrive at energy savings across the entire ICT chain.

But the greatest contribution KPN is making to an energy-efficient world comes from the ICT solutions it offers customers. Our palette of products and services enables others to use energy more efficiently and cut down on their emissions. This is the case, for example, when implementing software that improves logistic processes. In the context of the New Way of Working it is also the case for our products and services that cut down on car usage.

The best service provider

KPN aims to be the best service provider. This is part of our strategy and is at the same time a reason for our position at the heart of society. The activities volunteers carry out for the The Finest Contact Foundation illustrate the meaning of what it is to be of service. Since the establishment of the foundation in 2008 over four thousand volunteers have put their shoulders to the wheel for one of the projects. These are aimed at promoting social contact amongst vulnerable target groups. We have seen that ICT offers opportunities allowing everybody to take part in society. The Finest Contact Foundation begins and supports projects in which ICT is deployed to involve vulnerable target groups in society.

Using this CSR pillar we wish to contribute to our strategy of becoming the best service provider. But experience shows that our efforts in the area of the New Way of Working contribute to that aim as well. The better that we can develop and execute this concept within Dutch society, the greater we can be of service to our customers who want to work free of the constraints of time and place.

We look on 'Responsible Energy Use', our third CSR pillar, as a further support buttressing our target of becoming the best service provider. The ever-louder message we are receiving from our stakeholder dialog is that our customers expect us to embed vigilance for energy and climate change issues into our business operations.

We are in continuous dialog with the society of which we are part. We conduct this dialog to identify trends at an early stage and to apply them in our business, but also to evaluate our own conduct.

Are we doing the things that people expect us to do or might reasonably expect us to do? This transparency brings us valuable information that helps us determine our policy and objectives. Our efforts have brought us a listing in the Dow Jones Sustainability Index in 2010. That listing ranks us amongst the top 10 per cent of the most sustainable telecom companies in the world¹. The listing confirms that we are on the right track to becoming a sustainable leader in the ICT industry.

Transparency benchmark

We were ranked #1 in the 2010 Transparency Benchmark. An initiative of the Dutch Ministry of Economic Affairs, Agriculture and Innovation, this is a prize for the most transparent sustainability report in the Netherlands. In 2009 KPN only rated #24. We are proud of this award, which HRH Prince Carlos presented to us on January 18, 2011.

For now and in the future

All these initiatives put together encapsulate the part we are playing in the switch to a more sustainable society. We deploy our core competences to innovate and make investments in society that make a difference and that offer people the possibility of living their lives more sustainably, more enjoyably and more easily. We transform challenges within society that might jeopardize its strengths into opportunities, so offering potential benefits to both society and KPN.

1.3 In discussions with our stakeholders

Dialog with our stakeholders forms the basis of our CSR policy. We use a variety of methods to conduct our dialog.

We use our conventional channels of communication, such as web sites, customer magazines and our contacts with customers, for the dialog. This permitted us to hold a number of sustainability sessions with major customers in the Business Market in 2010. We discussed with them the role they expect KPN to play in the area of sustainability and their perceptions of KPN's current policy.

This year was the first time we used KPN¹ Connect, our in-house social media site, to open up a dialog about our CSR policy with our employees. During November's New Way of Working week we featured messages about different aspects of the New Way of Working, attracting 2,200 responses from KPN staff. This allowed us to get feedback from our own employees to check whether our sustainability policy corresponds to their expectations. In summary, this dialog underlined for us how important this CSR theme, the New Way of Working, is to our employees. The number of reactions and spontaneous messages on the site has risen. The major point of emphasis was the positive appreciation of employees on the opportunity to decide their own work-life balance. But the loss of social contact with fellow employees was also a topic.

KPN in the community

¹. Top 10% of the biggest companies in the Dow Jones Global Total Stock Market Index (DJGTSIM) that lead in the area of sustainability

At end October, senior KPN executives conducted a dialog with external stakeholders about sustainability. The VDBO (Association of Investors for Sustainable Development) organized and ran the session. Participants were key external stakeholders such as analysts, not-for-profit organizations, customers, suppliers and sustainability experts. We believe in the value of stakeholders from different backgrounds meeting each other. A KPN investor is given the opportunity of discussing our sustainability policy with a major customer, for example, or a social organization can do so with a key supplier.

We have learnt four major lessons from this stakeholder dialog. Our choice of CSR themes are still logical; we are making progress and we are determined to continue along this path in 2011. It would be premature to change course now as the themes may take on a far greater importance. The second lesson is related to our target of becoming the best ICT service provider. Placing the customer at the forefront requires service leadership coupled to transparent communication. Further improvement is needed to attain this ambition. The third lesson is that we no longer need a separate CSR policy once we succeed in embedding a policy across the whole of KPN that clarifies the link between ourselves and society. Lastly, our stakeholders told us we should choose social themes taken from our corporate business. We should draw on KPN's 128-year history to set a path for the future, staying consistent with ourselves, our customers and our employees.

We maintain an active dialog with government. As far as the Dutch government was concerned, our dialog focused primarily on market regulation, the fiber network roll-out, frequency allocation, net neutrality and, where applicable, price regulation and charges for access to the fixed Dutch network and roaming charges (rates for mobile calls abroad). Privacy, cyber crime and the availability of the 112 emergency services call number were also discussed. We expressed our views on these topics at European forums as well.

In 2010 we also updated a selection of our major Dutch investors with details of our CSR operations. They informed us that they consider a transparent and logical CSR policy to be increasingly important. A company that includes CSR as part of its corporate strategy has a better

focus on the longer term, allowing the investors to expect more stable financial results. Specific comments were:

- KPN's policy of corporate social responsibility has improved significantly since 2008 and compares well with that of its peers.
- Its CSR operations are suitable for commercial exploitation.
- The sustainability report is studied carefully alongside the Annual Report as it sheds additional light on the risks facing the company.
- We need to do a better job of explaining what we are doing to raise customer satisfaction and service levels.

In 2011 we shall give CSR rating agencies and investors regular information on CSR. In so doing we shall take care to ensure that we communicate the fact that our CSR policy is not a stand-alone program but a component within our corporate strategy.

In conclusion, the spontaneous responses we receive constitute a major plank in our stakeholder dialog. These responses may be positive or critical in tone. They come to us through various routes. In 2010 we received dozens of responses by e-mails sent to us at mvo@kpn.com. They consisted of sponsorship requests, comments about our use of paper in customer communications, and requests to take part in CSR-related surveys, as well as complaints about our products and services.

The reactions we hear via the media are another manifestation of the feedback we receive. Radar and Kassa, two Dutch television programs, took KPN and other telecommunications companies to task for the type of subscription in which customers are billed by the minute. We gave customers who felt they had not been properly informed the option of going back to their old subscription.

The rule we observe for all spontaneous reactions is to take the writer seriously, respond rapidly and, where useful, invite her or him to discuss the matter with us.

Our foreign subsidiaries also continued to pursue a stakeholder dialog policy. E-Plus in Germany opened a dialog with social organizations to examine how it could further contribute to literacy programs.

1.4 Our CSR themes

KPN has focused its CSR policy targets around the following themes:

- The New Way of Working
- Responsible Energy Use
- People Connected

Three years ago, we chose these three key themes as we believe that success in sustainability will only be achieved by focusing on specific aspirations. These are the criteria that governed our choice of theme:

- The theme must be relevant to the social issue in question.
- Aspirations and activities are reviewed by in-house and external stakeholders.

The purpose of this sustainability report is for KPN to render account of the sustainability issues material to KPN. These have been selected on the basis of a materiality assessment carried out in 2009, including internal and external stakeholder dialogs. Updated in 2010, this evaluation took account of the findings from the stakeholder dialogue sessions of 2010 and confirmed the relevance – in terms of their sustainability content – of the topics previously chosen. Additionally, a number of new elements came to the fore, and these are investigated in this report:

- customer satisfaction amongst telecommunications companies (complaint handling, service culture) and
- the pricing of mobile subscriptions, in particular the discussion about charging by the minute.

The media and stakeholders also raised the issue of whether transmission masts used in mobile telephony constituted a health hazard. Our approach is set out on our web site.

1.5 Compliance, integrity and compliance with the Dutch Telecommunications Act

KPN sees operating with integrity and in compliance with the legal and regulatory framework as inextricably linked with its social responsibility. We view this as something that our stakeholders specifically expect of us. In 2010 we took further measures to fortify our performance in this area. The Group Compliance Office was restructured in 2010. There were two reasons.

First, we wanted further to reduce the risks of non-compliance with the legal and regulatory framework. We do this by organizing reporting, management and knowledge transfer at a more central level. The function of the Group Compliance Office, which is part of head office, is to diminish any risks of non-compliance with the legal and regulatory framework. Second, we wished to lay greater stress on integrity. If the focus of attention in

previous years was demonstrable compliance with the legal and regulatory framework, today we seek to give integrity a visible position within our company culture.

This has spurred us to organize training sessions and courses whose purpose is to raise awareness and foster a culture of integrity.

Supplementing its broad ethical codes of conduct, KPN has a whistleblower procedure, an integrity review protocol, a policy on fraud, and codes directed at insider trading, safety and ICT security. These can be consulted on our web site: (www.kpn.com/corporate/overkpn/investor-relations/corporategovernance/bedrijfscode.htm).

Business compliance officers are in place at all the major units of KPN in the Netherlands, and since 2010 this has been the case as well at E-Plus and KPN Group Belgium. They report to the Group Compliance Officer.

The integrity discussions that the 200 senior executives of KPN Nederland held with their teams at the end of 2009 were repeated in 2010. At every level in the company, managers and their teams examined dilemmas involving issues of integrity in everyday matters and discussed proper conduct in the workplace. The reports of these discussions led to conclusions and recommendations that were put before the Board of Management. One major conclusion drawn was that management, if only because of its role model function, can play a major part in ensuring proper conduct in the workplace and in dealing with the issues of integrity that employees encounter. Action plans were developed for each business segment.

Senior KPN Nederland executives followed two integrity workshops and their colleagues at KPN Mobile International followed one. The key message was that KPN always observes the legal and regulatory framework and conducts itself properly. Not only that, KPN remains committed to handling issues of confidentiality, privacy and the dilemma of the long term versus the short term with care and integrity.

Employees of KPN Nederland and Getronics Nederland followed an e-learning course about undertakings and rules set out in the Code of Conduct and supporting codes. In 2010 1,049 KPN Nederland employees followed this e-learning course, with the figure for Getronics Nederland being 542 employees. A total of 1,651 employees of KPN Nederland and Getronics Nederland attended special training sessions covering competition and telecommunications law in 2010.

At KPN Group Belgium all employees took part in an online compliance quiz and 139 employees followed compliance training familiarizing them with the company code and the whistleblower policy. A discussion on the topic between employees and their hierarchical superiors was held. At E-Plus all executives receive training in anti-corruption policy and procedures. The annual Ethics & Compliance Survey was held among those employees of KPN Nederland especially affected by the Telecommunications Act. This showed that there had been progress on the Targets versus Rules parameter. This is the percentage of employees having the perception that, when the issue arises, KPN always chooses to observe the rules. That percentage has risen relative to 2009. It also showed that employees needed to be better and more fully informed about the Telecommunications Act. Both themes require ongoing attention, as does information on the whistleblower policy. People must feel they will not suffer consequences if they report unlawful or improper conduct and they need to know that disciplinary measures will be taken against those guilty of such conduct.

In 2010 the KPN Group was issued with six definitive and irrevocable penalties. These penalties totaled EUR 114,000. Four related to failures of compliance with telecommunications or consumer protection legislation. Two related to environmental infractions with penalties of less than EUR 1,000.

Of the penalties for non-compliance with telecommunications or consumer protection law, two related to E-Plus. The first penalty related to the delayed repair of faulty data cables. The second had been levied in connection with conducting telemarketing activities without the consumer's express consent. The BundesNetzAgentur (the German telecom regulator) imposed a penalty on Ortel Germany for the improper compilation of customer details. KPN France struck a settlement with the French Consumer Authority. The dispute related to having provided consumers with incomplete information about changes to the conditions covering the service provided, in particular about the length of time a call credit remained valid. In addition to these irrevocable penalties KPN Nederland was fined for failing to inform the authorities concerned of planned cable works, against which KPN has lodged an appeal.

KPN Group is still conducting appeal procedures challenging five penalties in respect of activities anti-competitive competition. The value of these penalties varies between EUR 500,000 and EUR 10,000,000 and the penalties were imposed during or before 2010. These include a penalty levied by the Netherlands Competition Authority (NMA) in 2002 for alleged cartel agreements in the mobile telecommunications industry. Objections have also been lodged against the penalties imposed by

the Dutch Independent Post and Telecommunications Authority, OPTA, for alleged breaches of the Telecommunications Act between 2005 and 2008. It has been estimated that the total size of these penalties will not exceed EUR 20 million.

In 2010 the Dutch Advertising Code Committee issued its verdicts on nineteen complaints about advertising statements made by KPN Nederland. In seventeen cases the Advertising Code Committee ruled that these advertising statements were in partial or entire breach of the Dutch Advertising Code. The Committee advised KPN to cease advertising in that fashion in the future.

More information on KPN's corporate governance is available in the Annual Report.

1.6 Embedding CSR within the organization: governance

The Board of Management and the CSR Steering Committee jointly set the company's CSR policy and targets. The CSR Steering Committee has a coordinating function. The Supervisory Board is closely involved in CSR issues. The Steering Committee meets every month under the chairmanship of Baptiste Coopmans, the KPN Board of Management member with responsibility for CSR.

Three task forces, one for each of the three themes, report to the CSR Steering Committee. The task forces develop new plans and ensure implementation of ongoing activities. Getronics and E-Plus each have their own CSR Steering Committee that adapts KPN's CSR policy to their own market and target groups. E-Plus, KPN Group Belgium and Getronics also each have their own CSR Manager.

The CSR Steering Committee reports monthly. Every quarter both the CSR Steering Committee and KPN's Board of Management review progress towards the targets set out in the Sustainability Report. The Board of Management provides the Supervisory Board with twice-yearly reports about CSR policy implementation.

In Germany more work was put into the sustainability structure in 2010. A member of the E-Plus Board of Management is responsible for the CSR program.

KPN operates clear risk management policies. These are set out in the Annual Report, which includes a description of the major risks we see as possibly impacting the attainment of KPN's targets. CSR risks are included in line with their importance relative to other corporate risks.



Our customers and our people

Strengthen commitment and pride



Our customers and our people

People make KPN. Our employees do their best to satisfy our customers' wishes.

2.1 Results and targets

	Result 2009	Target 2010 and beyond	Result 2010	Target 2011
Service *	Net Promoter Score: better than our competitors, but not as good as planned	Loyalty leader in all product segments	Loyalty leader in 11 of the 24 product market segments	<ul style="list-style-type: none"> Loyalty leader in 16 of the 25 product market segments 8% point increase in Net Promoter Score
Rating awarded by the employees	77% of the employees agree that KPN Nederland operates in line with CSR values	75% of the employees agree that KPN Nederland operates in line with CSR values	<ul style="list-style-type: none"> 82% of the employees agree that KPN Nederland operates in line with CSR values 62% of the employees agree that Getronics Nederland operates in line with CSR values 	70% of the employees agree that KPN Nederland and Getronics Nederland operate in line with CSR values
Diversity	19% of senior management at KPN Nederland are women **	17% of senior management at KPN Nederland and Getronics Nederland are women	16% of senior management at KPN Nederland and Getronics Nederland are women	17% of senior management at KPN Nederland and Getronics Nederland are women
	18% of middle management at KPN Nederland are women **	17% of middle management at KPN Nederland and Getronics Nederland are women	16% of middle management at KPN Nederland and Getronics Nederland are women	17% of middle management at KPN Nederland and Getronics Nederland are women
	23% of employees at KPN Nederland and Getronics Nederland are women	Women will constitute 30% of employees at KPN Nederland and Getronics Nederland in 2015	23% of employees at KPN Nederland and Getronics Nederland are female	Women will constitute 30% of employees at KPN Nederland and Getronics Nederland in 2015

* KPN Nederland

** Excluding KPN Contact, Xs4all, Telfort and Business Market units merged with Getronics in 2009

2.2 Our customers

Our customers are the raison d'être of our company. We do our very best to earn our customers' respect. First of all, by ensuring that our products and services meet their needs as effectively as possible. And secondly, through the socially responsible activities we undertake.

Convinced as we are that we champion the cause of our customers, the customer's assessment of KPN is critical to our customer satisfaction and customer loyalty policies. From the ongoing customer loyalty surveys we run and from the picture the media and public opinion paint of us it has become clear to us in recent years that we can do even better. This led us to set ambitious targets in these areas in 2010. On customer loyalty, we wanted to perform better than all our competitors in all market segments. The Net Promoter Score (NPS) is our most important tool for measuring this. The tool measures customer loyalty by regularly asking a large number of customers how likely

they are to recommend KPN to others, on a scale of 1 to 10. This generates a score at the brand and market segment level. We use this figure because in our experience customer loyalty is a good indicator of growth. Our experience tells us that customers, potential and current, allow themselves be influenced by the recommendations and experiences of existing customers when it comes to choosing brands and products. The rise of social media sites and web sites where consumers share their experiences reinforces the phenomenon.

In 2010 we set up the NPS Board, with participation by both KPN Nederland and Getronics Nederland. Its purpose is to focus on improving customer loyalty, and to ensure that this is done in a consistent, structured manner. We use the periodic Net Promoter Scores, which are discussed with the line managers responsible, to design our customer satisfaction and customer loyalty programs. The NPS Board has identified five areas where there is room for improvement.

Our customers and our people

1. Social media

Consumers are using social media sites more and more to recount their experiences with telecom and internet providers. Since October a special team, the web care team, combs web sites systematically for reports about KPN. If there is a complaint about KPN, we take up contact with its original author and we look at how we can solve it.

2. Relocations

Customer appreciation surveys show that we can improve our service when people relocate. We have investigated the possibility of reducing from four to two weeks the relocation notice period that we require to ensure a new connection is installed on time. We want to be able to make this possible for large groups of customers in 2011. We have also taken steps to see that the customer is not only informed by mail of a service visit but that she or he also gets a reminder in the form of a text message the day before.

3. KPN Brand Manifesto

The KPN brand is one of the best-known in the Netherlands. KPN wants the brand to evoke positive, reliable and warm associations amongst our customers, potential or current. In 2010 we set up a Brand Board to safeguard and reinforce this. This Brand Board drives the programs designed to protect and reinforce the KPN brand. The Brand Board's first task in 2010 was to draw up the KPN Brand Manifesto. This expresses the values of the KPN brand and the association it is designed to evoke. The Manifesto highlights three key directions: 'the customer in the vanguard', 'live and work the way you want' and 'champions all that is Dutch'. The core values that KPN has already been using for several years – 'personal', 'simplicity' and 'trust' – are also evident in the Brand Manifesto.

At end 2010 we started to work on enhancing awareness of this Manifesto by giving employees and management training courses. Over the coming years the Brand Manifesto will serve as the guideline for all our marketing communications and our marketing policy, as well as for defining our employees' conduct and approach, both to the customer and to each other.

4. The quality of our network

Another route that will augment customer loyalty involves improving and communicating the quality of our network. Customers are generally satisfied with the quality of the network, a perception we are keen to confirm. The communications center allows us to notice whenever a customer's network speed (in MB per second) is lower than his or her subscription entitlement. This may have been the result of the cabling or caused by the location of the wireless router in the home. In 2010, by way of a test, we initiated contact with the customer in a few of these situations. Quite often we were able to make a minor

adjustment that boosted the speed. In 2010 we made proposals to some six hundred customers to boost the quality of their interactive television.

5. Uniform closed-loop feedback

In addition to our Net Promoter Score, we wish to get a better handle on individual customer satisfaction after interaction with KPN. For this we use the closed-loop feedback approach (CLF). This involves our regularly asking customers, immediately after a contact moment with a KPN employee operative, what they thought of the quality of the service and whether they would recommend KPN to others because of it. We do this in the stores by personal interviews and in the call centers by asking whether callers are prepared to answer some questions at the end of the call. These questions are also put by phone after a service visit, so that the customer does not have to discuss a possibly unsatisfactory experience with the individual concerned.

We undertook a pilot scheme in the call centers which involved motivating staff to develop a better balance between the parameters of quality, sales, human contact and costs. Some 250 staff in the Business Market and Consumer Market call centers took part. We saw that this influenced the major parameters. Employee engagement is higher there than in the other call centers, for example. The pilot teams did better on their NPS scores as well. We intend to introduce this way of working on a wider scale in 2011.

In the interests of optimizing customer service we commenced a project in 2010 to standardize this CLF approach across all channels and to aggregate all customer feedback within a single information system. This allows a consistent picture of the feedback across the entire chain from sale to billing to be built up and analyzed. These analyses serve as key input for structural improvements that KPN Nederland implements across its chains and work processes.

Customers can go to 'Mijn KPN' on www.kpn.com, to find online answers to their questions. Menus allow site visitors to look for solutions to commonly encountered problems. We shall add an electronic customer forum in 2011. In order to drive home the importance of customer loyalty at senior management level KPN Nederland has integrated a special module into its leadership program for its top 50 executives. Participants are confronted by dissatisfied customers making their views known in no uncertain terms in sound and vision. This effectively transmits the message to senior management that, despite every effort, there is always scope and reason for boosting customer satisfaction. As part of our policy of encouraging attention to customer loyalty the remuneration received by those KPN people with an area of responsibility impacting on customer loyalty depends partly on this parameter.

In 2010 we aimed to become the loyalty leader in all market segments of the consumer and business markets in the Netherlands. In other words, we set ourselves the target of finishing as the best ICT service provider in all product-market combinations, i.e. achieving the top NPS score. These scores are measured each quarter at both KPN brand and segment level. In the business market we scored better than in the consumer market. Unfortunately we failed to achieve our target. Based on the figures for the third quarter for the consumer market (the most recent figures available when this report went to press) and for the fourth quarter for the business market, we have become loyalty leader in 11 of the 24 product-market segments. This performance is disappointing because we started so many initiatives last year precisely so as to boost customer loyalty. We started many of these remedial actions in the course of the year and we expect their effect to be measurable only after some time has passed. We measure our customer results against those of our competitors and see that they too have put in improvements. We also believe that the negative publicity surrounding rate increases, customer service and billing by the minute have had a negative effect on customer loyalty. This makes our objectives for 2011 especially challenging.

We are not satisfied with our current performance and our target for 2011 is to achieve an improvement of 8 percentage points in the NPS brand measurement score. In the business market this applies to the KPN brand alone. In the consumer market it applies to the average of the KPN, Hi, Telfort and Xs4all brands weighted by sales volume. We also aim to be loyalty leader in 16 of the 25 product-market combinations of the Dutch consumer and business markets in 2011.

So as to make our targets in 2011 we will integrate into our standard processes the initiatives that we tested and found successful in 2010.

2.3 Challenges

Unfortunately, as a company with millions of customers we cannot avoid things sometimes going wrong despite all our efforts. Some of these failings attracted media attention. Radar, a Dutch TV program, spotlighted customers who had been disappointed by the speed of their fiber connection and who claimed to have spotted billing errors. In the light of this program and the subsequent client contacts we ratcheted up our efforts at improving our fiber services.

In another episode of the same program KPN was confronted with a survey in which customers expressed their dissatisfaction about Telfort, one of our Dutch brands. We drew lessons from these experiences that have allowed us to improve our service. We have set up a special e-mail address, (klachtentrosradar@kpn.com), for other consumers to pass on to us similar experiences.

Last year also saw a discussion about charging mobile phone calls by rounding up to the full minute instead of charging by the second. In response to complaints KPN undertook to introduce subscription variants offering mobile calls billed by the second. Appearing on the Dutch TV consumer program Kassa, Board of Management member Baptiste Coopmans showed that KPN is serious when it says it wants satisfied customers. As a telecommunications provider KPN is obliged to provide the customer with correct information about subscriptions and contract terms. Some misunderstanding about the subscriptions under scrutiny had unfortunately arisen. We concluded that our communication on the subject had clearly not been optimal, while call center staff appeared insufficiently informed about contract terms. As a way of setting things straight we mailed a letter to all call center staff in the Netherlands informing them about the conditions. We emphasized the importance of correct information on the subject.

Mobile charges can represent a substantial part of debts incurred by young people. In 2010 KPN's Hi brand that targets the youth market ran a session about money management with the CentiQ platform, focusing on young people's mobile usage. Among the topics discussed was a recent survey showing that many young people say they regularly exceed their set budget. This was one of the triggers that led to the money management discussion, which in turn led to a long-term youth communications campaign on the subject. The campaign started with tips on the right way to manage mobile calls.

Hi, as the brand leader in the youth market, aims to assume its responsibility and help young people manage their money. In 2010 Hi introduced the Belstatus app and the text message update service. The Belstatus app is a mobile site and application for smart phones that enables Hi customers to see at a glance the up-to-the-minute charges they have run up on their subscription. The text message update service is a reminder text message customers receive once they have used up half, three quarters or all their call credit. Hi sees this as a way of avoiding unexpected costs.

2.4 Our people

We are convinced that success in the service industry stands or falls by the engagement of our people in their work and the way they relate to the customer. We believe that this engagement is promoted by a challenging and inspiring working environment, by being a good employer and by building up an enterprise our employees take pride in. Our activities in the area of corporate social responsibility illustrate our approach to business and so bolster that pride.

To be a good employer, careful attention has been given to structuring the Human Resource (HR) function at KPN. All major business units possess their own HR department which advises line management and corporate departments on HR issues. Line management bears

operational responsibility for ensuring that we really are a good employer. At KPN group level Corporate HR is responsible for initiating projects and new policy initiatives relevant to our segments. Regular joint discussions are held with HR staff members to review policy development in order to foster consistency in HR policy at KPN.

Total number of employees (in FTEs and numbers)

	2009		2010 **	
	FTE	Number	FTE	Number
KPN Nederland	11,944	13,172	11,080	12,177
KPN Group Belgium	561	581	773 *	795*
E-Plus	2,846	3,078	2,577	2,782
Getronics	12,960	14,368	11,930	12,318
Other participations	4,837	5,120	4,238	4,607
KPN Group	33,148	36,319	30,599	32,679

* In 2010 KPN disposed of part of KPN Belgium. Another part was transferred to KPN Group Belgium. In 2009 KPN Belgium employees were recorded under 'Other participations'.

** In 2010 KPN employees numbered 20,537 (19,167 on FTE basis) in the Netherlands.

KPN headcount changed in response to a number of trends. KPN Retail opened 52 new stores. 330 new people (equating to 187 FTEs) were recruited for these stores.

KPN Nederland (Business Market) implemented a quality program as a result of which headcount was reduced by some 600 FTEs during the period from October 2009 to the end of 2010. Some of these were compulsory redundancies. The quality program, of which the headcount reduction program was a part, was performed in consultation with the Works Council.

No major reorganizations were put in place at Getronics in 2010, although Getronics offshored some programs to India involving 130 FTEs. Getronics added a section to its Redundancy Plan to cover offshoring. This states that maximum efforts will be made to find new positions for staff. After consultation with the trade unions and the Works Council we set up a process that consolidates all vacancies that change as a result of offshoring and all employees whose position is so affected. Employees and departments with vacancies are obliged to cooperate. The system made it possible for 65 per cent of the FTEs involved to find a new position. Staff reductions at Getronics increased in 2010, partly under the impulse of insourcing Getronics employees at some major customers. We wanted to arrive at a single collective bargaining agreement for all KPN employees in the Netherlands in 2010, but did not succeed. We were unable to reach agreement with the trade unions on each and every

point. The result was that in 2010 we had one collective bargaining agreement for KPN Nederland and another for Getronics Nederland.

Sadly, we have to obliged to report a fatal accident that took place at one of technical buildings in 2010. The victim was working as an independent contractor for a company performing brickwork pointing for KPN. The man died after falling from scaffolding. The Labor Inspectorate made an on the spot investigation and concluded there was no need for any further investigation.

Leadership, mobility and developing talent

Our leadership program is designed to train managers to create the basic conditions that enable their employees to provide optimal customer service. In 2010 we organized four leadership sessions for the 50 most senior managers of KPN Nederland, with the purpose of arriving at collective leadership, aimed at a common implementation of business strategy. The interaction between the manager, his/her team and their surroundings is paramount. The approach will be maintained in 2011, with KPN launching its KPN Academies for all its core disciplines. In 2010 we launched our KPN succession planning policy across the group, reflecting our conviction that this is a key ingredient in talent management. We have noted that in-house promotion is often more successful than recruitment from outside. Lastly, leadership development in 2010 saw substantial focus being placed on fostering the New Way of Working. If in 2009 and 2010 the emphasis lay on physically enabling the New Way of Working, 2010 saw stress being placed on the cultural aspect as well. The New Way of Working calls for a different management style and hence different skills. The key concepts here involve putting trust in people and measuring them by the results they achieve. Having noted that not all KPN managers give their employees this support as a matter of course, we developed a training program in 2010 designed to work on these areas of conduct and culture.

Employee engagement

We believe that workforce engagement is key to a company's success. Although we cannot prove a direct relationship between employee engagement and our social initiatives we believe that there is a positive link between the two. This has caused us to measure each year the degree to which our staff appreciate our CSR activities. In 2010 82 per cent of KPN Nederland employees endorsed the statement: 'I think that KPN operates in line with CSR values.' The figure for 2009 was 77 per cent. Employee engagement is measured regularly at Getronics too. 62 per cent of Getronics employees responded positively to the question: 'I think that Getronics operates in line with CSR values.' The surveys were not held simultaneously, so no aggregate figure can be given. In 2011 we will hold the employment engagement surveys at KPN Nederland and Getronics Nederland at the same time.

Yet we feel that employee engagement goes further than a survey. It is above all the degree to which employees feel engaged in their day-to-day work and at KPN that points to the extent to which we have succeeded in being a good employer. This led us to renew our use of an employee engagement toolkit and dashboard in 2010 at KPN Nederland. All managers were given a picture of employee engagement in their own department. The results were discussed by the department manager and the HR executive and served as the basis for a remediation plan per department. The approach will be maintained in 2011.

Diversity

KPN is a firm believer in the power of a diversified workforce in every department in the company. We believe that a company that reflects the society in which it operates is better equipped to detect social trends and to translate them into its business strategy. We wish to be seen as an attractive employer by the largest possible – and therefore diverse – group of people. This enables us to face up to the consequences of an ageing population, which makes it harder to attract and retain sufficient talent. A more varied workforce drawn from every kind of background is a source of additional energy in the company, leading to innovation and revenues. This diversity policy itself enhances our attractiveness on the labor market. The talent potential of our workforce expands and we expect this parameter to help us achieve our strategic ambition of becoming the best service provider. Diversity is the responsibility of the Diversity Steering Committee, which met every month in 2010 to define actions and discuss progress.

The objectives we set ourselves for 2010 were to achieve a higher percentage of women at the senior and middle management levels. For KPN Nederland and Getronics Nederland taken together we targeted a 17 per cent figure in both the senior and the middle management levels. This target is lower than that for 2009 when the target applied to KPN Nederland alone. This is because there are fewer women working at Getronics Nederland (an ICT service provider) than in the middle and top levels at KPN Nederland (a communications service provider).

In 2010 we took a variety of initiatives to achieve these objectives. Senior female managers held career orientation meetings with four hundred women working at KPN in the Netherlands. These women were offered mentoring, which involves career coaching. Over fifty women availed themselves of the opportunity. The discussions in themselves already helped to shed light on how women perceive their career prospects and circumstances at KPN.

Surveys were also carried out into the experiences of staff having returned to work after maternity leave. We used this study to improve a number of issues, such as the provision of information about maternity leave and the quality of the nursing mother's rooms.

We see that the introduction of the New Way of Working has had a positive influence on the flexibility women want.

We have focused attention on the male-female diversity issue in our recruitment and selection processes. The procedures under which staff are appointed to management functions now obliges managers to explain explicitly why they have failed to recruit a woman for the job.

Staffing policy rarely features a linear growth in results. Although our endeavors this year succeeded in achieving a higher percentage of women in management, and senior management, functions at KPN Nederland and Getronics Nederland together (16 per cent and 16.4 per cent respectively), but we failed to achieve our objective of 17 per cent this year. The principal reason was that new employee intake, whether male or female, remained limited because of the partial ban on hiring, which was itself a response to the difficult economic times in 2010. In 2011 we will continue to work at achieving a better male-female balance within KPN management. Our objective of a 30 per cent female workforce at KPN Nederland by 2015 has not changed. In 2009 and in 2010 the percentage of women working in KPN in the Netherlands stood at 23 per cent.

In mid-2010 KPN expanded the scope of its diversity policy to include a new target group: persons suffering from a disability. To start with we are targeting young people with a disability, although others may be included. These are young people entitled to a special disability payment under Dutch labor law. In its collective bargaining agreement with its workforce KPN has committed itself to creating twenty jobs for persons drawn from the more vulnerable segments in the labor market by 2012. Groups that qualify might be those so classified under the Invalidity Insurance (Young Disabled Persons) Act, the Invalidity Insurance (Young Disabled Persons) Act or the Work and Income (Capacity for Work) Act. On 31 December 2010 four such people were already in the employment of KPN.

Employees subject to a collective bargaining agreement (in number and % of total number of employees)

		2009		2010	
		FTEs	Number	FTEs	Number
KPN Nederland	Male	74.0	70.5	73.2	70.0
	Female	26.0	29.5	26.8	30.0
KPN Group Belgium	Male	63.3	61.8	66.4	65.4
	Female	36.7	38.2	33.5	34.6
E-Plus	Male	65.7	62.0	66.9	64.3
	Female	34.3	38.0	33.1	35.7
Getronics	Male	84.7	83.6	84.7	83.7
	Female	15.3	16.4	15.3	16.3
Other participations	Male	44.8	43.5	48.6	47.0
	Female	55.2	56.5	51.4	53.0
KPN Group	Male	73.8	71.3	73.6	71.3
	Female	26.2	28.7	26.4	28.7

Employee's contract type (in % of total number of employees)

		2009	2010
KPN Nederland	Permanent	90.7	91.9
	Temporary	9.3	8.1
KPN Group Belgium	Permanent	99.7	99.9
	Temporary	0.3	0.1
E-Plus	Permanent	94.3	94.9
	Temporary	5.7	5.1
Getronics	Permanent	95.2	92.8
	Temporary	4.8	7.2
Other participations	Permanent	81.8	71.3
	Temporary	18.2	28.7
KPN Group	Permanent	91.9	89.8
	Temporary	8.1	10.2

Gender percentages in management (in % of total of senior and middle management)

		2009		2010	
		Senior	Middle	Senior	Middle
KPN Nederland	Male	81.4 *	82.4 *	79.2	80.8
	Female	18.6 *	17.6 *	20.8	19.2
KPN Group Belgium	Male	92.3	82.4	100.0	83.7
	Female	7.7	17.6	0	16.3
E-Plus	Male	92.0	82.7	90.5	85.0
	Female	8.0	17.3	9.5	15.0
Getronics	Male	86.7	86.6	90.6	86.5
	Female	13.3	13.4	9.4	13.5
Overige deelnemingen	Male	73.7	78.8	75.3	70.5
	Female	26.3	21.2	24.7	29.5
KPN Groep	Male	83.9	84.1	84.2	83.3
	Female	16.1	15.9	15.8	16.7

Employee's employment type (in % of total number of employees)

		2009	2010
KPN Nederland	Part-time	31.6	32.3
	Full-time	68.4	67.7
KPN Group Belgium	Part-time	12.0	9.6
	Full-time	88.0	90.4
E-Plus	Part-time	13.6	12.9
	Full-time	86.4	87.1
Getronics	Part-time	12.4	13.8
	Full-time	87.6	86.2
Other participations	Part-time	27.1	24.7
	Full-time	72.9	75.3
KPN Group	Part-time	21.6	22.1
	Full-time	78.4	77.9

* Excluding KPN Contact, Xs4All Infonet, Application Net

KPN has registered as an active partner of the Lucille Werner Foundation's CAP100 initiative. By creating an internet community, the Foundation wishes to facilitate contact between people with a physical disability and the corporate world and to enable one hundred high potential individuals with a disability to find a position in the labor market.

We want to expand our efforts in the direction of a diverse workforce in 2011. Our objective is to make our workforce more diverse by including people with a different cultural background, a physical disability or older in age.

Employability

Promoting our employees' ability to handle a variety of tasks (deployability) remained a focus of attention in 2010. Its purpose is to ensure our employees' skills remain up to standard and to improve them, thus enhancing their employability both inside and outside KPN. This is all the more important as greater flexibility has now become a must on the labor market. Attention has switched from retaining one's job and having the appropriate skills set to professionalism and employability as being the best guarantee of a good position in the labor market, both inside and outside KPN. In 2010 about 50 per cent of the employees coming under the KPN collective bargaining agreements made use of a personal employability budget worth EUR 1,000 per employee annually. They may use this budget to increase their employability in whatever way they see fit. 2010 saw greater recourse to e-learning, leading to a fall in training costs but a rise in the number of hours expended on training by each employee. The phenomenon of an ageing population is expected to oblige people to work longer, so KPN paid greater attention to health and vitality in the past year. We did so by offering to reimburse the cost of a health check and any necessary follow-up.

This shows how KPN invests in developing talents and skills and in creating a working environment where talents can bloom. The New Way of Working fits in with this philosophy, reason enough for KPN and the unions to have incorporated the New Way of Working in the Dutch collective bargaining agreements.

**Employees subject to a collective bargaining agreement
(in number and % of total number of employees)**

		2009	2010
KPN Nederland	Number	12,598	11,645
	%	95.6	95.6
KPN Group Belgium	Number	0	0
	%	0	0
E-Plus	Number	2,852	2,418
	%	92.7	86.9
Getronics	Number	9,308	8,750
	%	64.8	71
Other participations	Number	46	111
	%	0.9	2.4
KPN Group	Number	24,804	22,924
	%	68.3	70.1

**Employee turnover
(in % of total number of employees)**

		2009	2010
KPN Nederland	Intake	9.9	1.9
	Exit	13.4	10.0
KPN Group Belgium	Intake	15.8	19.5
	Exit	14.5	13.0
E-Plus	Intake	24.9	13.6
	Exit	27.6	26.1
Getronics	Intake	12.9	12.8
	Exit	17.7	32.2
Other participations	Intake	24.6	27.0
	Exit	22.1	23.6
KPN Group	Intake	14.3	11.0
	Exit	17.4	21.7

Average number of training hours and costs for employees (in hours and euros per FTE)

		2009	2010
KPN Nederland	Hours/FTE	25.6	53.5
	Euro/FTE	2,054	1,270
KPN Group Belgium	Hours/FTE	19.9	18.1
	Euro/FTE	1,006	984
E-Plus	Hours/FTE	21.9	25.0
	Euro/FTE	838	726
Getronics	Hours/FTE	16.8	20.8
	Euro/FTE	838	628
Other participations	Hours/FTE	23.9	26.3
	Euro/FTE	549	486
KPN Group	Hours/FTE	21.5	33.7
	Euro/FTE	1,147	858

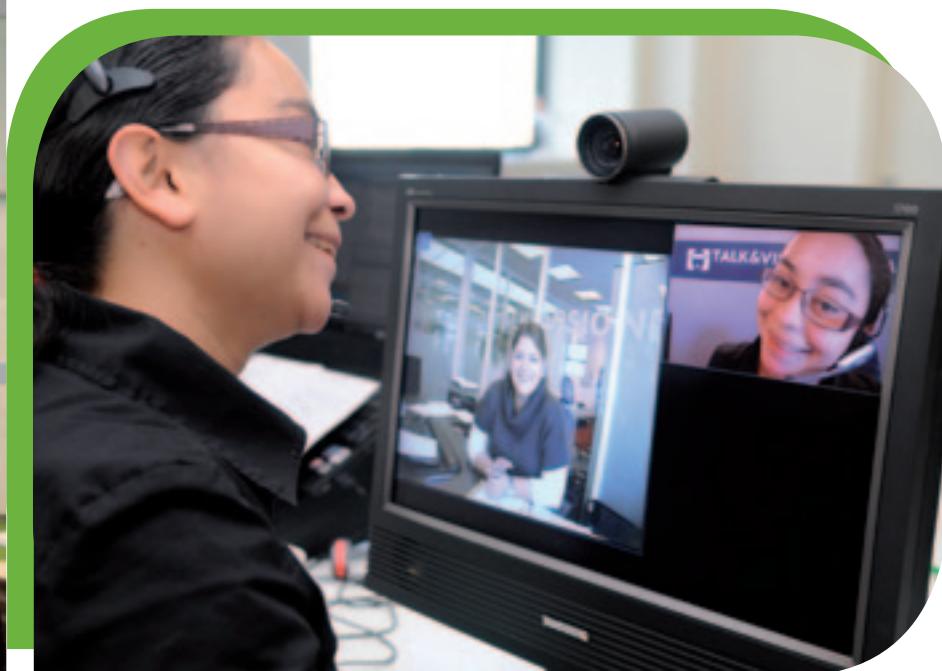
**Absentee and accident rate
(in accidents per 100 FTEs)**

	2009**	2010		
	Absentee rate	Accident rate	Absentee rate	Accident rate
KPN Nederland	4.4	0.14	4.4	0.13
KPN Group Belgium	4.3	0.18	4.7	0.13
E-Plus	4.6	0.32	4.9	0.23
Getronics Nederland	3.6	0.04	4.0	0.11
Other participations*	—	0.26	—	0.37
KPN Group	—	0.15	—	0.20

* Including Getronics International

** The accident percentage data for 2009 have been adjusted relative to the figures given in the 2009 Sustainability Report, as figures for accidents not leading to days off work were counted for E-Plus.





The New Way of Working

KPN helps people find
a good work-life balance



The New Way of Working

KPN wants to enable people to work freed from the constraints of time or place and so find a good work-life balance, while contributing to solving the issues of mobility and climate change.

3.1 Results and targets

	Result 2009	Target 2010 and beyond	Result 2010	Target 2011
Engaging in debate with society *	Participation in Nederland Bereikbaar and keynote speaker at various congresses	Visible position in debate with society	KPN participated 50 times in debates with society about the New Way of Working	50% of the 500 largest organizations in the Netherlands consider Getronics an opinion leader for the New Way of Working
Introduction of the New Way of Working into KPN *	–	On the way to 5% fewer peak-hour kilometers in 2012	No reliable data for % peak-hour kilometers	Develop a technique for measuring CO ₂ savings for the New Way of Working
	3,563 New Way of Working workstations. Plus 7000 flexible workstations	7,000 New Way of Working workstations	9,000 New Way of Working workstations	–
	–	8,000 meetings replaced by videoconferencing	15,516 meetings replaced by videoconferencing	–
	29% more employees can work remotely	10,000 active New Way of Working staff	10,407 KPN people can work using the New Way of Working	11,000 KPN people can work using the New Way of Working
Contributing to good employer conduct and mobility *	New Way of Working marketing campaign	Commercial application and prominence of KPN as supplier of the New Way of Working	Sharp increase in contact persons (excluding of ICT procurement) for business customers	15% growth in usage by customers of 3 typical 'New Way of Working' services

* KPN Nederland and Getronics Nederland together



We observe an increasing need in society to be able to work irrespective of time and place. Greater flexibility in working hours has made it possible for many people either to participate, or participate more fully, in the labor market while combining this with personal obligations. KPN is uniquely positioned to make this possible. Our 'New Way of Working' theme targets three interconnected areas: a new workspace concept, adjustments to the virtual workplace, (which can be done by making smart phones, conference cards and laptops available) and a new approach to working together in which employees are measured by their results and not by their physical presence.

But the New Way of Working benefits the environment as well. Remote working, videoconferencing and other ICT solutions help tackle the mobility problem. If you can choose where and when you work, you can avoid peak-hour traffic or even stay at home. That saves effort, travel time and CO₂ emissions.

KPN's New Way of Working program rests on four building blocks:

- Implementing the New Way of Working at KPN itself;
- Enabling and promoting the New Way of Working among customers;
- Participation in debate within society about the New Way of Working;
- Innovation.

Implementation and overall management of the New Way of Working are in the hands of a program director.

3.2 The New Way of Working at KPN

In 2010 we made further progress in applying the New Way of Working internally. We set ourselves tangible targets 7,000 New Way of Working workplaces, 8,000 meetings using videoconferencing and 10,000 KPN staff putting the New Way of Working into practice.

We took a variety of initiatives to achieve our targets. The number of locations equipped with videoconferencing facilities was further increased in the first half of the year. In 2010 some 15,000 meetings were held using videoconferencing. 74 per cent of KPN staff in the Netherlands were given a teleconferencing card. The number of flexible workstations was increased again (from 3,563 to 9,000). This resulted in major savings in accommodation and energy. Getronics' Brussels office, where some 600 people work, was redesigned to allow for the New Way of Working. KPN Group Belgium introduced the new Homeworking Policy which sets out how people may work from home.

In 2010 E-Plus aligned its CSR policy totally with that of KPN. E-Plus' head office was redesigned in line with the principles of the New Way of Working.

One challenge during the year was to stimulate use of the facilities enabling the New Way of Working. We selected a target group approach. Secretaries were told about the program and trained to organize and use the facilities. We also drew up the Five Gold Tips for the New Way of Working, covering issues such as integrity and security. This is because increasing in-home use of ICT facilities has meant that information may fall into the hands of unauthorized persons.

Courses for managers were held in the Netherlands, focusing on the culture and management skills required to enable the New Way of Working. In 2010 both KPN Nederland and Getronics Nederland placed much emphasis on the cultural element in order to promote a change in behavior. Agreements about the right to work at home were struck with the Central Workers' Council in Germany.

The in-house emphasis in the coming years will be the impact of the New Way of Working on ICT usage. We will continue to extend the number of videoconference meetings and conference calls.

3.3 Commercial solutions

We share our experiences of the New Way of Working with our customers. KPN has expanded the services it provides by refining the commercial solutions allowing implementation of the New Way of Working. In 2010 Getronics Nederland continued its marketing campaign promoting its package of New Way of Working products and services. Working with external partners, Getronics organized three strategic innovation sessions this year. Suppliers, current and prospective customers and specialists in the field were invited to develop jointly a new service for Getronics. Sustainability was one of the three themes that were the focus of these sessions.

KPN also helped work on a new web site, www.overhetnieuwewerken.nl, that consolidates information about practices taken from across the country.

In terms of commercial operations in 2010 KPN Nederland selected a targeted approach focusing on directors of companies in which they are a major shareholder and on directors of Human Resources departments. We previously targeted facility managers and ICT procurement executives, but we expect the target groups we selected in 2010 to do more to promote the New Way of Working. We gave thirty lectures and presentations about the New Way of Working at conventions and other events. Getronics ran a variety of multi-media campaigns in the large corporate market. The benefit that this positioning brings to Getronics' position in the market is borne out by the fact that dozens of potential and current customers, wished to discuss the subject with us after having been exposed to the campaign or to one of these sessions.

The lesson we learned from the innovation sessions and the response to the Getronics campaign about the New Way of Working, 'green ICT' and corporate social responsibility was that corporate social responsibility and ICT remain separate worlds. They do not always realize how they can benefit one another. The message that ICT solutions can help contribute to reducing CO₂ emissions is one that ICT managers have difficulty in grasping, while CSR managers fail to make sufficient use of ICT to design business processes so as to make them more sustainable. Lastly, it was once again confirmed that it would be beneficial if the financial and environmental savings to be gained from 'green ICT' and the New Way of Working could be calculated.

In the small and medium enterprise market segment KPN Business Market explicitly focused on the advantages of the New Way of Working, an approach that was reflected in a targeted advertising campaign.

3.4 Engaging in debate with society

KPN wishes to be perceived as an opinion leader in the debate about the New Way of Working. This year we were unable to measure whether this was indeed the case but the many requests we have received from the outside world to give presentations encourage us to believe that we are moving in the right direction. We deployed a number of activities in order to position ourselves as an opinion leader. We are a member of the Mobility Management Task Force and one of the initiators of Nederland Bereikbaar. Both organizations look for solutions to the mobility problem. KPN works within the Task Force and Nederland Bereikbaar on developing the New Way of Working. We do this together with groups such as the Dutch road users' organization, the Dutch Railways, Rabobank, Microsoft and the '9,292' web-based travel guide. KPN chairs the employer platform that functions as part of the Task Force. Given our involvement in tests designed to avoid congestion we set ourselves the target for 2012 of reducing peak-hour driving by 5 per cent compared to 2009. Because of the efforts we made to enable our own employees to participate in the New Way of Working in 2010 we had expected to observe a decrease in peak-hour driving this year. Unfortunately, the quality of the survey we commissioned turned out to be inadequate. For 2011 we intend to improve our measurement arrangements so to enable reporting outside the company.

In mid-2010 the Mobility Management Task Force decided to inform the new Minister of Infrastructure and the Environment about the Task Force's results and the options these provide for mobility issues in the Netherlands. Fifty major Dutch employers were involved in drawing up and presenting a plan designed to exploit these opportunities.

In the Netherlands KPN collaborated in the New Way of Working week, an initiative of the Stichting Natuur en Milieu. This campaign, lasting a week, was held in November and designed primarily to get employees thinking about their own mobility. KPN ran Open House sessions and allowed others to see how the New Way of Working has taken shape in-house and the opportunities it offers.

We believe that thanks to these initiatives KPN succeeded in assuming a visible position in 2010 in the public debate in the Netherlands about the New Way of Working. We will pursue our initiatives in this area in 2011.

In 2011, we will measure whether we are indeed seen as opinion leader in the debate about the New Way of Working. Getronics assist many customers with the New Way of Working and takes an active part in the debate with society. Our aim for 2011 is for half of the 500 largest organizations in the Netherlands to consider Getronics an opinion leader for the New Way of Working.

Getronics takes part in the debate within society about the New Way of Working by participating in the Club of 30. This is an initiative launched by thirty major Dutch companies to promote the transition to a sustainable society through knowledge-sharing and collaboration (www.declubvan30.nl).

3.5 Innovation

The fourth and final building block of the New Way of Working is innovation. Our peak-hour avoidance program in the Haaglanden area provides a good example. In this program KPN is working together with Siemens and Rabobank on a semi-commercial basis to reduce permanently the number of peak-hour motorists by 2,000, by inducing them to work at other times or to use public transport. KPN provides the telecommunications facilities. A survey is now under way to see whether financial incentives help people change their ways.

In 2011, we want to attempt a quantification of the advantages and disadvantages of the New Way of Working. One way is to set up a joint benchmarking system with Philips and TNO to evaluate the New Way of Working. A system such as this will be able to chart the environmental benefit achieved by the New Way of Working. Within this collaborative arrangement we are exploring the possibility of creating a quality mark for the New Way of Working. This will prevent abuse of the term.

We are making efforts to accelerate the roll-out of the New Way of Working both in-house and outside. We believe that virtually all the necessary dispositions have been taken and that the coming years will prove the ideal moment for introducing the New Way of Working on a large scale at other Dutch companies. In-house, a great deal of effort is being put into making the New Way of Working the standard. In the commercial area KPN wishes to devote comparable attention to the New Way of Working in the Small Business Market (including small and medium-sized enterprises) in the same way as Getronics did in 2010 for the large corporate market. This may result in 2011 becoming the year the New Way of Working really comes into its own.

3.6 Challenges

We notice that the New Way of Working has a less attractive side. With people working more and more either at home or on a flexible basis, the need for office premises has declined. If the New Way of Working gains further in popularity, this may trigger higher vacancy levels and a considerably reduced need for new construction. This may then impact the construction industry.

The risk of flexible working and remote working lies in its potential to reduce employees' sense of unity and the link with the company, which, self-evidently, we wish to avoid. With one of the objectives being that of boosting engagement, KPN Nederland introduced its in-house social networking platform in 2010: KPN1 Connect. The site permits KPN people to maintain virtual informal contact with their colleagues. Some three hundred messages are posted each month. In November six thousand employees had inserted their profile. Getronics Nederland will join the site in 2011.

Another challenge is for people to learn to cope with and manage the distinction between private and work life. Being available everywhere on a 24/7 basis may trigger the unintended consequence that people are unable to put their work behind them as they should. This can lead to stress.





Responsible Energy Use

KPN uses ICT to shape a clean and prosperous society



Responsible Energy Use

The use of ICT may lead to a major benefit for the environment, but its sharp rate of growth puts pressure on the environment. KPN assumes responsibility for minimizing this pressure, in terms not just of its own consumption, but also that of our customers and suppliers. Energy consumption and its influence on climate are a major issue for us. KPN aims to be climate-neutral by 2020.

4.1 Results and targets

	Result 2009	Target 2010 and beyond	Result 2010	Target 2011
Fixed and mobile network in the Netherlands	<ul style="list-style-type: none"> Measures that save 32 GWh Annual energy efficiency targets 2010–2012 Energy efficiency measurement units 	On the way to 20% absolute reduction in energy by 2020 in comparison with 2005: <ul style="list-style-type: none"> Measures that save 26 GWh Max 2% increased power use in 2010 and 2011, falling thereafter 	<ul style="list-style-type: none"> Measures that saved 38 GWh Electricity consumption identical to 2009 	<ul style="list-style-type: none"> On the way to 20% absolute reduction in energy by 2020 in comparison with 2005: Measures that save 32 GWh Max 2% increase in electricity consumption in 2011, falling thereafter.
Mobile network, Belgium and Germany	Energy efficiency targets set for 2012 and 2020	<ul style="list-style-type: none"> On the way to 20% greater energy efficiency by 2020 in comparison with 2009 and 5% more energy-efficient in 2012 Annual energy efficiency targets 2010–2012 	<ul style="list-style-type: none"> Annual targets set 	On the way to 20% greater energy efficiency by 2020 in comparison with 2009: <ul style="list-style-type: none"> Germany: 5% more energy-efficient in 2011 and 9% in 2012 in comparison with 2009 Belgium: 5% more energy-efficient in 2012 in comparison with 2009
Data centers *	<ul style="list-style-type: none"> Measures that save 2 GWh (1.3% of data center consumption) 2009 21% more energy-efficient in comparison with 2005 (PUE basis) 	On the way to 20% greater energy efficiency by 2020 in comparison with 2005: <ul style="list-style-type: none"> Measures that save 9 GWh (6% of 2010 data center consumption) as opposed to doing nothing 20% more efficient in comparison with 2005 (PUE basis) Raise 2020 target 	<ul style="list-style-type: none"> Measures that saved 6 GWh 23% more energy-efficient in comparison with 2005 	On the way to 30% greater energy efficiency by 2020 in comparison with 2005: <ul style="list-style-type: none"> 24% more energy-efficient in 2011 in comparison with 2005
Green electricity	In the Netherlands 56%	<ul style="list-style-type: none"> In the Netherlands 75%. In 2011: 100% in the Netherlands Germany and Belgium: investigate financial feasibility and green electricity availability 	<ul style="list-style-type: none"> In the Netherlands: 77% In Belgium: 34% In Germany: 29% 	<ul style="list-style-type: none"> In the Netherlands: 100% In Belgium: 100% In Germany: 50% in 2011, 75% in 2012 and 100% in 2020



	Result 2009	Target 2010 and beyond	Result 2010	Target 2011
CO₂compensation *	–	As from 2012 remaining CO ₂ emissions (capped at 15% of total emissions)	–	Compensate remaining CO ₂ emissions from 2012
Vehicle fleet *	<ul style="list-style-type: none"> • Over 70% of all passenger vehicles carry A, B or C energy label • 20% of new cars are hybrid 	New step toward a greener lease policy	New target set	35% absolute CO ₂ saving to be made by Dutch vehicle fleet in 2016 in comparison with 2010 (34.9 kton CO ₂ emissions in 2010)
Sustainable procurement program *	<p>82 suppliers sign code of conduct</p> <p>Two external audits in Asia and site visits for outsourcing</p>	<p>80% of the 58 suppliers at risk sign code of conduct</p> <p>Twelve external audits at manufacturers located in low-wage countries via E-TASC</p>	<p>94% of the high-risk suppliers signed the Supplier Code of Conduct</p> <p>37% (23) of the high-risk suppliers took part in the self-auditing system (E-TASC)</p>	<ul style="list-style-type: none"> • 95% of the high-risk suppliers sign the Supplier Code of Conduct • 80% of the medium-risk suppliers sign the Supplier Code of Conduct • 95% of the high-risk suppliers take part in the self-auditing system • 50% of the medium-risk suppliers take part in the self-auditing system • 5 on site audits at high-risk suppliers
	–	Relevant environmental themes in procurement criteria	Relevant environmental themes incorporated into procurement criteria	–
Services and products *	InternetPlusBellen standard modem 17% more energy-efficient than predecessor	<ul style="list-style-type: none"> • Visible positioning of Green ICT services in the market • Growth of energy management services • Customer information for energy saving • Sustainable image in KPN stores, kpn.com 	<ul style="list-style-type: none"> • Getronics' Green ICT Campaign • Groene Tip in the consumer market • 12.5 GWh saved at customers 	<ul style="list-style-type: none"> • 25 GWh long-term savings amongst customers thanks to more energy-efficient equipment • Develop a technique for measuring CO₂ savings for Green ICT
Recycling discarded mobile phones *	21,382 mobile phones	25,000 mobile phones	26,302 mobile phones	50,000 mobile phones
Environmental management *	–	Relevant business units have ISO 14001 certification	Start of ISO 14001 certification audit	Relevant business units have ISO 14001 certification

* KPN Nederland and Getronics Nederland together

The Energy Management Group is responsible for running energy and environmental policy at KPN. The Director is a member of the CSR Steering Committee. This Energy Management Group promotes and coordinates initiatives within the segments. Implementation remains the responsibility of KPN line management.

4.2 Energy-saving initiatives

We formulated concrete targets for saving energy in 2010. These concerned the network and the data centers. Having targeted savings of 26 GWh for our networks in the Netherlands, we achieved true savings of 38 GWh in 2010, so exceeding the goals we had set ourselves. These savings have allowed us to compensate fully for the growth coming from network extension. On a net basis absolute electricity consumption of the network in the Netherlands fell by 0.4 GWh. We see here the effects of the migration to a new, more energy-efficient network, with the older network platforms being phased out.

We had first forecasted a decrease in our networks' energy consumption in 2012. We have set ourselves a new target for 2011: measures to save 32 GWh across the network and so cap at 2 per cent the increase in electricity consumption caused by network extension. Starting in 2012 we anticipate a structural fall in electricity consumption in order to attain our long-term objective of a 20 per cent absolute savings in comparison with 2005. In 2010 we were able to get a picture of the energy consumed by our customers' modems and television tuners. By reducing energy consumption we saved 12.5 GWh in 2010 on the use of these modems.

We confirmed our commitment to improving energy efficiency in the ICT industry by signing the Code of Conduct on Energy Consumption of Broadband Equipment in 2010. In so doing the ICT industry has committed itself to effecting annual savings of 25 TWh in Europe in broadband usage.

Our energy savings program is yielding results at our data centers as well. These have been of such a scale that we were bold enough to raise our original energy-efficiency target (20 per cent relative to 2005 by 2020) to 30 per cent (expressed as a PUE percentage). This is a unit that measures the amount of electricity used in a data center for items other than the ICT equipment itself, such as cooling equipment, air conditioning, the emergency power system and lighting. Getting a clearer understanding of the energy data centers consumed enabled us to identify further energy saving options in 2010. Our objective was to take measures securing a 9 GWh saving in 2010. Unfortunately the saving came out at only 6 GWh in 2010 because some of these measures needed more time than was originally thought. Our objective of running 30 per cent more energy-efficient data centers by 2020 (expressed in PUE terms) has thus come closer given that by 2010 we had achieved a 23 per cent energy-efficiency improvement in comparison with 2005. We started work on installing KyotoCooling® at our Haarlem data center. This energy-efficient cooling technique uses air drawn from the outside as a substitute for air conditioning and will generate an improvement in energy efficiency in 2011. Despite the effect of these energy saving measures we nevertheless observed a 5 GWh rise in the absolute energy consumption of the data centers.

Our own offices constitute a third major consumer of energy. The New Way of Working has allowed us to operate with 20,000 fewer square meters of office space in the Netherlands, so generating energy savings of almost 6 per cent for the entire Dutch office assets. The New Way of Working thus led not only to energy savings but also to lower costs of accommodation. We have taken a further step in the 'greening' of our vehicle fleet. We had already adopted a restrictive policy of leasing only new cars bearing an A, B or C energy label. We have set ourselves

the target for 2016 of reducing the CO₂ emissions made by our Dutch vehicle fleet by 35 per cent compared to 2010. We will effect this by using fewer and more energy-efficient private cars and engineers' vans, by pursuing our New Way of Working policy and by encouraging the use of public transport. As from 2012 we will compensate the remaining CO₂ emissions.

Cars by energy label in the Netherlands (in number and % of total number of cars)

		2008	2009	2010
A label (inc. hybrid cars)	Number	564	750	1,164
	%	7	13	21
B label	Number	2,046	1,705	1,490
	%	26	28	27
C label	Number	2,617	1,813	1,437
	%	34	30	26
D – G labels	Number	2,018	1,580	1,127
	%	26	26	21
Cars without Energy label	Number	511	196	248
	%	7	3	5
Total Private cars	Number	7,756	6,044	5,466
Commercial vehicles	Number	–	2,210	1,951
Total	Number	–	8,245	7,417

Fuel consumption, lease vehicle fleet (petrol, diesel and LPG)

	Eenheid	2008	2009	2010
the Netherlands	x 1,000 liters	23,539	21,369	14,476
KPN Group Belgium	1,000 liter	445.2	564.3	590
E-Plus	x 1,000 liters	2,320	1,868	1,560
Getronics International	1000 liter	–	1,361 **	1,523 ***

* KPN Nederland and Getronics Nederland together

** Consumption for 2009 has been adjusted relative to the content of the 2009 Sustainability Report based on more up-to-date data

*** Partly based on extrapolating 2009 consumption data



Many of the measures taken and to be taken are set out in the long-term energy saving plan that KPN concluded this year with the Dutch government. AgentschapNL, the body representing the Dutch government for these matters, has given our plan positive clearance, a decision that has now been approved by the Dutch municipalities. These measures have led to the energy savings shown in the table below.

In our energy data for 2010 the energy consumed in our stores (retail) includes for the first time the energy consumed by the Telfort stores.

E-Plus and KPN Group Belgium took steps in the area of sustainable energy-saving usage in 2010. E-Plus intends its operations to be climate-neutral by 2020. KPN Group Belgium intends to achieve an energy efficiency improvement of 5 per cent in 2012 and 20 per cent in 2020 in comparison with 2009. E-Plus has set energy-efficiency targets for 2011 and 2012 (5 per cent and 9 per cent respectively) in comparison with 2009, in addition to the objective already set of 20 per cent greater efficiency by 2020 in comparison with 2009.

Electricity consumption in GWh

	2005 (base year) KPN Nederland	2008 the Netherlands *	2009 the Netherlands *	2009 Non-NL**	2009 KPN Group	2010 the Netherlands *	2010 Non-NL ***	2010 KPN Group
Offices	68	75.6	66.6	28.5	95.1	62.4	34.9	97.3
Network ****	591	635.3	658.1	325.7	983.8	657.7	352.6	1,010.3
Data centers ****	30	116.6	130.9	26.0	156.9	135.4	32.2	167.6
Retail	7	5.0	4.8	9.2	13.9	7.4	8.9	16.3
Total	696	832.5	860.4	389.4	1,249.7	862.9	428.6	1,291.5

* KPN Nederland and Getronics Nederland together

** E-Plus, KPN Group Belgium, Getronics International

*** E-Plus, KPN Group Belgium, Getronics International, iBasis

**** Consumption for 2009 has been adjusted relative to the content of the 2009 Sustainability Report:

– Mast usage by third parties has been added to total network consumption

– Getronics data center usage for 2009 has been corrected in the light of update consumption data

CO₂ emissions (in k tons)

		2005 (base year)	2008	2009	2010
the Netherlands **	Scope 1	46.2	76.1	66.3	54.0
	Scope 2	371.5	310.6	173.5	79.3
	Scope 3	—	38.1	17.4	10.6
	Total	417.7	424.8	257.2	143.9
KPN Group Belgium	Scope 1	—	3.6	4.6	5.3
	Scope 2	—	25.0	16.4	10.6
	Scope 3	—	—	0.1	0.1
	Total	—	28.6	21.1	16.0
E-Plus	Scope 1	—	8.1	7.2	7.1
	Scope 2	—	131.1	125.0	82.3
	Scope 3	—	—	—	0.5
	Total	—	139.2	132.2	89.9
Getronics International ****	Scope 1	—	—	3.7	4.1
	Scope 2	—	—	10.0	14.0
	Scope 3	—	—	0.2	0.2
	Total	—	—	13.9	18.3
Other	Scope 1	—	—	0	0
	Scope 2	—	—	4.8	7.0
	Scope 3	—	—	0	0.4
	Total	—	—	4.8	7.4
KPN Groep ***	Scope 1	58.5	87.8	81.8	70.5
	Scope 2	558.4	466.7	329.7	193.2
	Scope 3	—	38.1	17.7	11.8
	Total	616.9	592.6	429.2	275.5

* KPN Nederland: in 2005 Getronics was not yet part of KPN. No detailed data is available for E-Plus and KPN Group Belgium for 2005

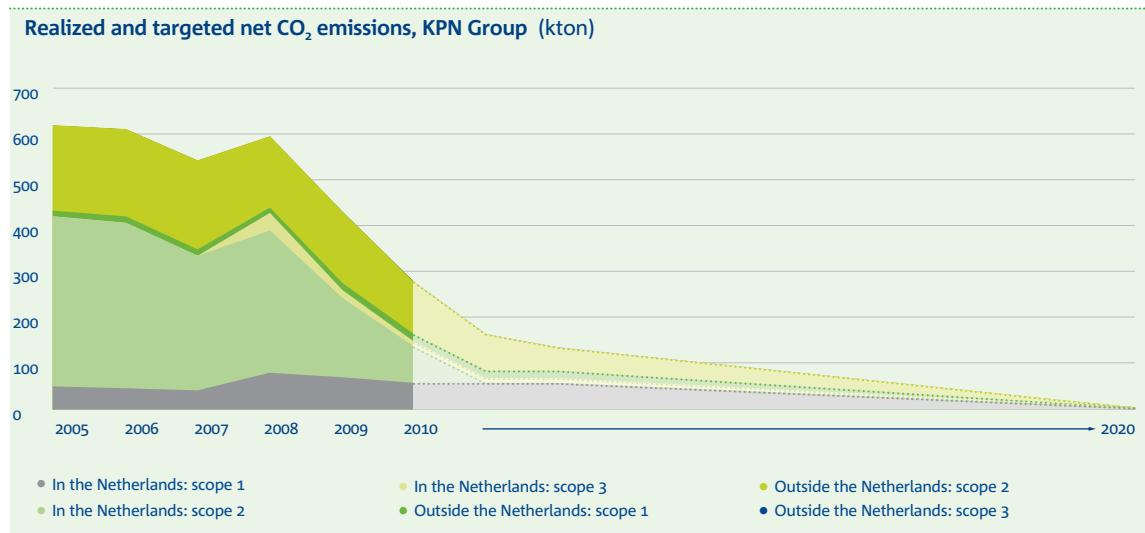
** As from 2008 including Getronics Nederland

*** As from 2008 including E-Plus and KPN Group Belgium. No detailed data is available for Getronics International for 2008.

**** Emissions for 2009 have been adjusted relative to the content of the 2009 Sustainability Report in the light of updated consumption data.

All these efforts have brought us closer to our objective for 2012: for KPN Nederland's operations to be climate-neutral with CO₂ compensation capped at 15 per cent. This percentage stresses our aim of achieving climate neutrality without resorting to CO₂ compensation. We intend it to be apparent that we will achieve our climate neutrality goal primarily by improving our energy efficiency, by procuring 'green electricity' and by consuming progressively less energy in the Netherlands each year after 2011. As from 2012 we will compensate for the remaining CO₂ emissions.

Units outside the Netherlands are also working towards climate-neutral operations in 2020. The table on page 43 provides an overall picture of the path required to achieve this goal, and we will be refining the details next year. Procurement of green electricity makes KPN less dependent on energy generated from fossil fuels. Such 'grey' electricity sources lead to risks to KPN: a future shortage will prompt cost increases, while availability may fluctuate as these fuels are sourced from regions suffering from political and economic instability.



Scope 1: Direct emissions, including natural gas and vehicle fleet fuels.

Scope 2: Electricity

Scope 3: Other emissions: air travel and third parties' equipment located in our data centers and network locations

4.4 Sustainable procurement

KPN Nederland operates an active policy designed to encourage suppliers to manufacture in a socially responsible fashion. This is laid down in our Supplier Code of Conduct (see www.kpn.com/leverancier), which all suppliers are deemed to endorse. We have also identified certain suppliers at risk. These are suppliers manufacturing in low wage countries in Asia, Africa, Eastern Europe or Central and South America, whom we term high risk suppliers. Good conditions of employment and compliance with human rights are not a given in these countries. We have incorporated attention for this aspect into our procurement processes. KPN Nederland and Getronics Nederland oblige high-risk suppliers not only to endorse the Supplier Code of Conduct but also to sign it, failing which we do no business with them. We have safeguarded this process by incorporating it into our procurement procedure: new high-risk suppliers must sign up to the code as well. In 2010 we identified 62 high-risk suppliers. 58 of these (94 per cent) comply demonstrably with our code of conduct. We are in discussions with the other four suppliers. We have asked the high-risk suppliers to perform a digital self-assessment via E-TASC. This tool asks the supplier questions about his approach to social and environmental issues. A third of the high-risk suppliers have now completed the assessment via E-TASC. Some suppliers scored so poorly that we are analyzing them so that, should there be a reason for doing so, we can review the consequences on our relationship.

We will pursue this policy in 2011. We will tighten the criteria for suppliers at risk. This will involve asking more suppliers to sign the Supplier Code of Conduct and to perform an E-TASC assessment.

We have put specific questions to certain suppliers about their energy consumption, recycling of packaging materials and raw materials consumption. Where appropriate, we ask these questions in requests for proposals, so that a supplier knows that these criteria are amongst those used in assessing his tender. This allows us to encourage the development of peripheral equipment and hardware (such as modems for the telephone system, internet or Digitenne) that save energy when in use. This is all the more relevant as a survey performed in 2010 revealed that the energy consumed by modems, the Digitenne receiver and other customer equipment accounts for some 50 per cent of network electricity consumption. Sale and application of more energy-efficient modems resulted in energy saved by the customer of 12.5 GWh in 2010, or the annual electricity consumption of 3,600 Dutch households. This 'green' product policy will be pursued intensively in 2011.

A further specific claim we have set for our products in 2010 is the Forest Stewardship Council quality mark for paper. FSC is an internationally recognized quality mark for the sustainable production of timber from forestry. As from the fourth

quarter of 2010 all paper purchased by KPN and Getronics Nederland comes from FSC-approved production. Another example of specifically 'green' procurement is the decision taken by E-Plus to use DHL's GoGreen Service. Cleaning of some 300 E-Plus retail outlets is performed in line with an environmentally friendly concept. In addition to promoting new product sustainability we also wish to put in place sustainable treatment for discarded products. In our industry this often concerns mobile phones. In the Netherlands and in Germany customers may dispose of old telephones at our stores or by sending them to a freepost address. In 2010 a total of some 26,000 mobile phones were returned through various channels for reuse or recycling.

4.5 Providing green ICT services

There are considerable opportunities for energy reductions to be exploited in the ICT services we offer the business market. We had set ourselves the objective of communicating these opportunities more actively and to grow our business.

Getronics ran a major multi-media marketing campaign on 'green ICT' in 2010. Sales executives have been trained to bring to their customers' attention the New Way of Working and 'green ICT'. In order to add credibility to our claims, in 2010 we began a project with ICT Office, an industry-wide organization, and other major businesses in the ICT industry. Its purpose is to develop a measuring tool that will enable the measurement of services such as the New Way of Working, remote conferencing and videoconferencing. This measuring tool will become available in 2011.

In the consumer market we took action to promote energy reductions amongst our customers. The Groene Tip platform was developed for the purpose. Our energy-efficient products are recognizable thanks to the Groene Tip icon. We also give consumers Groene Tips (green tips) about cutting down on their ICT-related energy consumption at home. Groene Tip can be founded on www.kpn.com/groenetip, in the stores (in brochures and on price tickets) and on product packaging. In all our call centers we have hung posters featuring these tips so that call center staff know what they can recommend customers. In 2011 Groene Tip will be a fixed element in the information package our engineers take with them to customers.

We have gone far this year in defining and preparing the knowledge and the tools necessary for these activities and now have a well-defined portfolio of 'green ICT' services. In 2011 we shall monitor growth.

4.6 Environmental management

In the course of the reporting year we determined how the ISO 14001 environmental management reporting system could be implemented at KPN Nederland and Getronics Nederland. We had originally planned to introduce the standard in the relevant business units in turn, but over time it emerged that it would be better to introduce the standard across all our operations in the Netherlands simultaneously. The implementation procedure has now begun. KPN Business Market and Getronics Nederland are expected to be accorded ISO 14001 certification in the second quarter of 2011. E-Plus and Getronics UK already have ISO 14001 certification.

4.7 Carbon Disclosure Project

Last year we disclosed that KPN had achieved the best score amongst all telecommunications companies in the Carbon Disclosure Project (CDP). The CDP is a joint initiative of global investors that queries publicly quoted companies about their approach to climate change. Once again we saw our score increase significantly: from 73 in 2009 to 80 out of 100 points this year. Nevertheless, competitors in the telecommunications industry succeeded in putting in an even more rapid improvement. Consequently, we have dropped back from the #1 position to the #4 position. We have also been awarded a carbon performance score indicating the quality of KPN's climate policy. This has led to KPN being given an 'A' ranking on the CDP ratings, a distinction that KPN shares with only two other Dutch companies. Next year we aim to retain our 'A' ranking and improve both our carbon performance and our disclosure scores.



4.8 WWF Climate Savers

KPN and the World Wildlife Fund (WWF) have concluded a partnership in the areas of climate and energy. KPN is the first global telecommunications provider to participate in the WWF Climate Savers program, in which 25 companies now take part. They are major international companies with far-reaching ambitions for the climate, such as Hewlett Packard, IBM, Nokia, Sony and Coca-Cola.

The Climate Savers program is an international leadership program for companies, designed to show that economic growth and a reduction of CO₂ emissions can go hand in hand. The objective is to show that these leading corporations can, by reducing their ecological footprint, provide a major boost to the transition to a completely sustainable energy supply program.

WWF wishes to work with KPN as a Climate Saver because of its aim for its operations to be climate-neutral by 2020 and in the light of the energy savings it has already achieved in its network and data centers. By participating in the program both KPN and WWF want to show other companies that saving energy and earning revenues complement each other admirably.

KPN and WWF will investigate the possible contours of such a partnership over the coming year. The investigation will examine whether tougher energy saving targets are realistic.

The investigation will also cover how KPN and WWF can contribute to replacing conventional ideas about mobility – with all the negative consequences for the environment – by the philosophy of the New Way of Working which stresses remote working and videoconferencing.

4.9 Challenges

Challenges still await us, however. One of these is the fast growth in data traffic via our networks and data centers. We are expanding our infrastructure to cope with the growth in data, but this uses more electricity. New more energy-efficient equipment and other energy-saving measures have so far enabled us to achieve a rate of growth in data transmission exceeding that of our power consumption. We cannot tell whether we shall continue to be able to do this. However, the growth in data traffic and the increase in electricity consumption in our network and data centers may point to energy savings elsewhere in society. A video conference meeting may mean participants save on car trips.

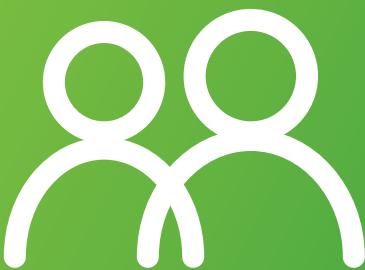
We see a second challenge in arranging for the return of discarded mobile phones. We consider that the difference between the numbers of mobiles sold and those returned for recycling is too large, especially in the light of the scarcity of raw materials and conflict metals. In 2010 a total of some 26,000 mobile phones were returned through various channels for reuse or recycling. We reached the target figure we set ourselves for this year but we know we must do more. We are doubling our target for the Netherlands. In 2011, every new mobile phone we supply in the Netherlands will come with a reply envelope with which the old telephone can be returned to KPN without charge for recycling or reuse. In Germany we work with NABU, a nature conservation organization, to collect more telephones.





People Connected

KPN enables social contact for all



People Connected

KPN wants to make contact possible for everybody. The Finest Contact Foundation is the vehicle with which KPN employees help people for who cannot take social contact for granted.

5.1 Results and targets

	Result 2009	Target 2010 and beyond	Result 2010	Target 2011
Motivating employees *	1,623 KPN employees participated 2,083 times on voluntary projects	KPN employees participated 2,000 times in The Finest Contact Foundation projects	1,685 KPN employees participated 2,213 times in the Finest Contact Foundation projects	KPN employees participated 2,000 times in The Finest Contact Foundation projects
Target group coverage *	164 children with ICT set 3,400 senior citizens in the ComputerPlusBus	<ul style="list-style-type: none"> • 175 children with ICT set • 90 autistic children participate in SociaalOpStap 	<ul style="list-style-type: none"> • 192 children with ICT set • 116 autistic children participate in SociaalOpStap 	–
	–	Develop a method for measuring the contribution made by The Finest Contact Foundation to reducing social isolation	Preliminary review of methods available for measuring the contribution made by The Finest Contact Foundation to reducing social isolation	Develop a method for measuring the contribution made by The Finest Contact Foundation to reducing social isolation

* KPN Nederland and Getronics Nederland together

As an ICT service provider our core task is to enable contact between people. For everybody. That explains why KPN employees voluntarily choose to give their time to The Finest Contact Foundation to help people who have lost social contact or who are faced with the threat of losing it. KPN has appointed a program director for The Finest Contact Foundation who is also a member of the CSR Steering Committee.

5.2 The Finest Contact Foundation

KlasseContact, ComputerPlusBus and Resto VanHarte are three projects coming under The Finest Contact Foundation, a foundation set up by KPN. A fourth was added in 2010: SociaalOpStap. KlasseContact is a project that allows chronically ill children to re-establish contact with their class at school thanks to a web cam, an internet connection and a screen. The ComputerPlusBus travels through the Netherlands to introduce senior citizens to the internet. Hundreds of KPN staff travel on the bus and take turns to come into contact with senior citizens. KPN volunteers also work in local Resto VanHarte restaurants where people come into contact with each other over a meal.

The SociaalOpStap project is designed to better social contact for autistic children.

In 2010 we worked hard on recruiting volunteers for The Finest Contact Foundation. Throughout the year, we deployed poster campaigns, intranet articles and KPN1, our in-house social media site, to raise awareness of the Foundation's operations. We organized two major events, one in the summer and one in the winter, to show what The Finest Contact Foundation does and what it signifies. The success of these events was evident from the number of people registering as volunteers for the program.

Our 2010 target called for two thousand KPN people to take part at least once in one of the Foundations' activities. By the end of the year 1685 KPN employees had taken part 2,213 times in the volunteer projects. Those volunteering amounted to 8 per cent of the combined KPN-Getronics workforce in the Netherlands. With participation in the activities being thrown open to Getronics employees this year, over 240 Getronics staff members participated in one of the projects.



5.2.1 KlasseContact

This year our target was to use ICT sets to put 175 chronically sick children into contact with their class at school. The true figure was 192 children. 163 KPN employees volunteered for these projects. Two volunteers work with each child, one working with the sick child at home and the other in class. We purchased additional ICT sets. These ICT sets are a combined camera and screen mounted on a kind of chair placed in the classroom. The class and the sick child can see each other, using a laptop with a webcam at home and a screen at school. The child uses a mouse to operate the camera in the class and can therefore decide what to see and whom to zoom in on.

In organizational terms, the emphasis in 2010 lay on making KlasseContact more professional. More organizational duties were passed over to Edventure, a partner organization consisting of educational service centers. We delegated the job of connecting up the hardware to a professional firm of engineers, and this left the project less reliant on The Finest Contact Foundation. KPN continues to be responsible for finding the volunteers and the funding. In terms of volunteer recruitment and commitment in 2010 we put a greater focus on both KPN managers and employees, while the focus in the past had been exclusively on managers.

5.2.2 ComputerPlusBus

In 2010 2,763 senior citizens visited the ComputerPlusBus (2010 target: 3,500) where a total of 374 KPN volunteers explained to them how to navigate digital media. About 166 volunteers visited senior citizens in care homes.

We also tried to create a greater link between the ComputerPlusBus and Resto VanHarte. In the hope that people might wish to take a look before or after the meal, the ComputerPlusBus was parked a number of times in front of the local Resto VanHarte restaurants. These efforts unfortunately failed: people in the social context of a Resto VanHarte meal apparently feel no need for the ComputerPlusBus.

5.2.3 Resto VanHarte

KPN continued its support for Resto VanHarte in 2010. As well as a financial contribution we arranged for KPN people to volunteer to work either as kitchen or service staff. In 2010 1,006 KPN employees responded to the call.

5.2.4 SociaalOpStap

In 2010 we launched a new initiative: SociaalOpStap. This targets children with an autistic characteristic. The purpose of the initiative is for them to use tips they get on their mobile phones to learn how to cope with difficult or unexpected situations. Children suffering from autism frequently have no idea how to respond when faced with a situation such as a flat tire or bullying. By typing in key

words relevant to a particular question, practical tips on how to deal with such situations come up on their mobile phone. This has called for the development of a special application. The Finest Contact Foundation works together with the Dutch Platform for Autism. The project is carried out at special schools for autistic children.

In 2010, we developed the software for this application and carried out a trial run. Some two hundred situations have been described and incorporated into the application. KPN volunteers run through these situations with the children and assist in getting these translated into tips. The idea is for as many practical situations as possible to be fed into the system. Some ninety KPN employees took part in the pilot this year and the project is scheduled for roll-out in 2011. Our target is for some three hundred KPN employees to spend one day as a volunteer with a child with an autistic characteristic. This permits them to help complete the application. In so doing they gain a better understanding of the contribution ICT can make to social contact for autistic children.

5.2.5 Plans for the future

We will pursue The Finest Contact Foundation in 2011, but some things will change.

The ComputerPlusBus program will end in 2011. Over the past years hundreds of KPN volunteers have introduced thousands of senior citizens to computer basics. The Finest Contact Foundation aims to build up initiatives and then let them go, so as to give new projects a chance. We aim to raise awareness of the internet and social media in the Resto VanHartes.

In 2011 we will start a new initiative which, just as the ComputerPlusBus, targets senior citizen. We are doing this together with the Dutch Red Cross. We will put in place a simple application to be added onto television sets in the home that gives senior citizens additional contact channels as well as their favorite TV channels. These contact channels will allow them to conduct no-frills conversations with their friends, families or neighbors. We hope that two hundred KPN volunteers will turn up to help the residents of two old people's homes and then regularly keep up the contact.

Following this year's modest start, SociaalOpStap is scheduled for a large-scale roll-out in 2011. The target is fifteen group sessions at schools with the objective of teaching 350 autistic children how to use the handset specially developed for them. KlasseContact carries on unchanged in 2011.

5.3 Safe internet

The internet brings many good things, but has also its less attractive side that we, together with other parties, wish to prevent or combat. Although as KPN we cannot be held liable for the content put on the internet, we can indeed harness our knowledge and experience to detect illegal content on the internet. We do this by working actively within the Platform Internet Veiligheid in which the Dutch Ministry of Safety and Justice and the Ministry of Economic Affairs, Agriculture and Innovation also participate.

KPN is the largest sponsor of the Mijn Kind Online foundation. This foundation was founded in 2004 by KPN and Ouders Online, the largest internet community in the Netherlands for parents on the internet. This foundation provides knowledge and recommendations about young people and the new media. Its objective is to help people understand the possibilities of new media and to promote responsible use. Mijn Kind Online aims to improve the quality of online media for children and to help teachers and parents to become more media-aware.

Working with law enforcement agencies Mijn Kind Online began a nationwide campaign in 2010 about the risks of sexual content on the internet. This led to the publication of a joint brochure entitled Verliefd op internet, aimed at young people aged ten and over. The brochure contains tips helping children to become more aware and better able to resist pornography and sexual intimidation via social media.

KPN promoted MyBee, its children's web browser, amongst customers. MyBee is a free program that allows parents to let their children surf the net safely. In 2010 this was downloaded for the 100,000th time. This children's browser won the SIDN Internet Award in 2010. The award recognizes initiatives that make the internet more accessible and that encourage secure use. MyBee won the 'Safe Internet' category.

In 2010 we also examined how we could best use our SchoolOnline program to offer the teaching profession fruitful internet use. The Dutch communications market regulator, the OPTA, had turned down our initial idea in 2009. The regulator took the view that to offer schools a free internet connection distorted competition. In December 2009 we responded by offering a schools a special low-price package to which the OPTA expressed no objection.

5.4 Other social projects

KPN Nederland supports certain groups of customers for whom communication cannot be taken for granted. An example of this is KPN's Teksttelefoon Bemiddelingsdienst for those with a hearing impairment. In 2010 this service inaugurated a new technical system to reduce waiting times. The most important change is that, before coming into contact with a KPN operator, the user is asked by the system to key in the number of the person, organization or company for which he or she wants the assistance of an intermediary. The system then tries to establish contact. Once this is done, a KPN operative is called in to act as intermediary. The user is thus given immediate assistance; in the new system there is no waiting at the beginning. Because a great many calls never come to anything (busy or no answer), more employees are available to assist and the waiting times will come down.

Through its support of De Kindertelefoon, in 2010 KPN enabled children and young people to go on using their mobile phones to call De Kindertelefoon without charge. In two out of ten cases the calls relate to problems at home, such as child abuse or the child's relationship with the parents. KPN's sponsorship of the Kindertelefoon was one of the factors that enabled over 330,000 calls to be made between January and September. The vast majority, 96 per cent, are made from a mobile phone. Making no charge for these calls enables children to access De Kindertelefoon without difficulty. We wish to continue our support for the work of De Kindertelefoon in 2011.

Working with a company called SimPC KPN has started offering senior citizens computers with internet subscriptions. This collaboration will make it easier for senior citizens to use e-mail and internet. SimPC has been specially developed for older people and consists of a user-friendly computer, the SimTouch, and of maintenance and support. The user uses a touch screen to operate the SimTouch.

E-Plus has carried out a variety of social projects. E-Plus became a partner of the 'Digitale Chancen' foundation. The foundation is an initiative of the German Ministry of Economic Affairs that develops a program to help people who have difficulty in finding their way in today's increasingly computerized society. The foundation targets young people, the elderly and immigrants. To emphasize its involvement E-Plus now sits on the board of the foundation. Its first initiative (December 2010) consisted of holding five workshops promoting digital integration of the target groups into society.



E-Plus pursued its collaborative arrangement with the Bundesverband Alphabetisierung und Grundbildung, an organization committed to combating illiteracy. A writing contest began in February. The winner would be awarded his or her prize at the Frankfurt Book Fair. The E-Plus cycling team organized ten to fifteen races to raise money for this organization. In March 2010 E-Plus ran a stakeholder dialog with social organizations and politicians to discuss the approach to illiteracy. Additionally, E-Plus went into partnership with NABU, a German nature conservancy organization. They are working together on a proposition that links raising awareness of nature conservation to a climate-neutral mobile telephone subscription. A proportion of the revenues will be channeled to the nature conservancy organization. The launch is scheduled for 2011.

KPN Group Belgium took on a number of social initiatives. Mobile phones, call credits and leased cars were put at the disposal of a hospital school in Leuven at no charge. Financial support was once again extended to the Kinderkankerfonds while KPN Group Belgium ran text message campaigns in support of good causes, such as Haiti, Het Glazen Huis and SOS Kinderdorpen (Profliga).

5.5 Sponsorship

KPN donated a total of EUR 6.3 million in 2010 to social good causes. KPN supported The Finest Contact Foundation, the KNSB, De Kindertelefoon, the 1 per cent FairShare initiative and the Meldpunt Kinderporno.

Lead sponsor of the KNSB skating association

KPN has been the lead sponsor of the Koninklijke Nederlandse Schaatsenrijders Bond (KNSB, the Dutch skating association) since summer 2010. Ice skating is a fine and quintessentially Dutch sport while KPN is a major Dutch ICT service provider. Thousands of Dutch people enjoy ice skating, whether to watch or to take part in it, reason enough to explain its appeal to KPN. With our lead sponsorship of the KNSB and ice skating we embrace all segments of the sport. We show that we share a passion for the sport by sponsoring its various disciplines: long-distance skating, marathon skating, natural ice skating, short-track speed skating, in-line skating and all the KNSB's youth activities.

Together with the KNSB we want people to get more fun out of skating in the Netherlands, whether they are champion athletes, run of the mill ice skaters, young people, fans, or people who just do it for the fun. Our sponsorship is designed to let us add genuine emotion and empathy to our brand and to display our bond with the Netherlands. Service is a key to that, and we facilitate the relationship and the linkage between skating, the Netherlands and ourselves.

1% FairShare initiative

In line with our lead sponsorship of KNSB KPN has signed up as sponsor of the 1% FairShare initiative. This is an initiative of the Fonds Gehandicaptensport that wishes to set to rights the underprivileged position occupied by sports for the disabled in the Netherlands. Our financial support enables the Fonds to make efficient, targeted investments in sports for the disabled. As lead sponsor for ice skating KPN wishes to underline its involvement in sport for the disabled. Business organizations are asked to devote an additional 1 per cent of their sports sponsorship budget to investments in sport for the disabled. This percentage is in line with the percentage of Dutch disabled athletes. In the same way as KPN, the Fonds Gehandicaptensport directs its work at both the top and recreational levels of sport. In 2008 1% FairShare was voted the organization having the most innovative sponsorship proposition.

5.6 Challenges

In 2010 we gave some thought to the issue of how to measure the impact of our social activities on the community at large. To what extent has The Finest Contact Foundation succeeded in combating social isolation and can that be measured? This led us to conclude a partnership with Karin Maas, a researcher at Erasmus University Rotterdam. We hope to be able to supply a report on the subject in 2011 using the methodology based on our work in 2010.

Appendices

6.1 Other core environmental data

	Unit	2008 **	2009 ***	2010 ****
Materials usage				
Cable length*	1000 km	316.7	331.3	341.0
Paper consumption	Tons	–	7,636	7,288
Percentage FSC paper	%	–	13	38
Water				
Water consumption	1000 m ³	–	–	364
Energy				
Natural gas	1000 m ³	9,287	8,764	10,033
Heating purchased	GJ	84,900	57,900	48,399
Cooling purchased	GWh	–	1.88	2.13
Diesel for emergency power generators	x 1000 liters	125	283	343
Diesel for permanent power generators	x 1000 liters	–	1,088	653

Total energy directly consumed *****	TJ	1,327	1,234	1,001
Total energy indirectly consumed	TJ	4,141	4,505	4,395
Total energy consumed *****	TJ	5,467	5,739	5,395
Ozone-depleting potential of coolants	kg CFC-11 equivalent	57	40	55
Waste				
Recycled waste	Ton	3,631	3,276	3,649
Residual waste	Ton	2,658	2,357	2,451
Demolition waste	Ton	499	732	808
Total non-hazardous waste	Ton	6,788	6,365	6,908
Total hazardous waste	Ton	45	101	92
Total waste	Ton	6,833	6,466	7,000
Percentage of recycled waste	%	53	51	52

* Cable length for KPN Nederland

** As from 2008 including Getronics Nederland, energy consumption in TJ in 2008 includes E-Plus and KPN Group Belgium

*** From 2009 including E-Plus and KPN Group Belgium

**** From 2010 including iBasis

***** KPN Group Belgium consumption

***** Consumption for 2009 has been adjusted relative to the content of the 2009 Sustainability Report in the light of updated consumption data.

6.2 Other core social data

**Composition of employees by age
(in % of total number of employees)**

		2009	2010
KPN NL	16–24	5.7	5.2
	25–54	78.4	76.7
	55–65	15.9	18.1
KPN Group Belgium	16–24	5.7	8.7
	25–54	93.5	90.4
	55–65	0.9	0.9
E-Plus	16–24	11.2	8.3
	25–54	86.6	89.4
	55–65	2.2	2.3
Getronics	16–24	5.7	4.1
	25–54	86.6	85.7
	55–65	7.7	10.2
Other participations	16–24	14.1	10.7
	25–54	82.1	84.5
	55–65	3.8	4.8
KPN Group	16–24	7.2	5.9
	25–54	83.0	82.6
	55–65	9.8	11.5

**Spread of employees per region
(in % of total number of employees and FTEs)**

		2009	2010
The Netherlands	FTEs	63.7	62.9
	Number	63.9	63.1
Belgium	FTEs	4.3	4.6
	Number	4.1	4.4
Germany	FTEs	20.7	20.8
	Number	21.3	21.2
Great Britain	FTEs	3.9	2.6
	Number	3.7	2.5
Switzerland	FTEs	0.7	0.7
	Number	0.7	0.7
Hungary	FTEs	0.8	0.8
	Number	0.8	0.7
North America	FTEs	—	1.1
	Number	—	1.0
Central and South America	FTEs	4.1	4.1
	Number	3.9	3.8
Asia	FTEs	1.6	2.4
	Number	1.5	2.3
Other Europe	FTEs	0.1	0.1
	Number	0.1	0.3

6.3 Scope of this report

The purpose of this report, which covers calendar year 2010, is to inform our stakeholders about KPN's sustainability policy and performance. We count as stakeholders all those persons and organizations affected by our operations or with whom we maintain a relationship, namely customers, employees, shareholders, banks, suppliers and social organizations. The scope of this report covers the KPN Group including its wholly owned subsidiaries and the subsidiaries in which it has a majority shareholding. Unless otherwise stated, references in this report to KPN should be read as referring to the KPN Group. The KPN Group comprises, inter alia, KPN Nederland, Getronics, Ortel Mobile and Dutch subsidiaries Telfort and XS4ALL, as well as the foreign subsidiaries KPN Group Belgium, E-Plus and iBasis. Although Getronics is a single entity, for the benefit of our stakeholders this report refers to Getronics Nederland and Getronics International. Getronics' foreign service partners come outside the scope of this report as KPN does not have a majority interest in these companies. The partners coming under what is called the 'Workspace Alliance' of Getronics International are covered by the scope of this report.

The data in this report refers to KPN's performance and not to that of our subcontractors. This report specifically reviews developments and performance in the area of sustainability in 2010. More static elements, such as the description of our CSR organization at KPN, our list of relevant outside memberships, our stakeholders and the like, are featured in the GRI table on our web site.

One part of KPN Belgium was disposed of while another part was transferred to KPN Group Belgium.

The corporate sustainability report appears every year at the same time as KPN's Annual Report. A six-monthly report is also made public. This report is based on the third generation guidelines of the Global Reporting Initiative (G3) and has a GRI application level of A+. The GRI table can be found on www.kpn.com. This specifies which GRI indicators are set out in the sustainability report and those indicators that are only featured on our web site. In addition to these G3 guidelines, KPN has taken as its point of orientation the draft GRI Telecommunications Sector Supplement. The GRI table sets out where indicators from the sector supplement have been included. Indicators that only require the statement of a position are only to be

found in the GRI table. The GRI table specifies where G3 core indicators have been omitted from the report as a consequence of these having been assessed as not material. In the interest of brevity, this report confines itself to a reference to the Annual Report for those material indicators set out in that report. In this sustainability report there are no departures of any significance from the GRI indicator protocols. Where possible, the annual report shows separately the performance indicators applicable to KPN's business units, that is, KPN Nederland, KPN Group Belgium, E-Plus, Getronics, other participating interests and the KPN Group. Where available, the report includes data for 2008 and 2009 as well. Unless specified separately in the text, no adjustments to the data have been made relative to the data set out in the 2009 sustainability report. Quantitative data concerning the workforce in 2010 set out in this report has been collected using our OutlookSoft financial data management system. The remaining data set out in this report has been collected using a standardized questionnaire that was completed by the KPN business units in question. The definitions used are set out under the tables in question. The corporate Audit and Internal Control Department assessed the data reported on consistency and availability of supporting evidence as the basis for its assessment of the data reported. Validation criteria set out in advance were also used to assess the data. This report has been reviewed by KPMG Sustainability which has issued a clean 'limited assurance' report conclusion. With a view to the external audit process KPN will, over the coming years, give priority to further reinforcement of the role of KPN Audit and Internal Control, to the internal CSR and sustainability data controls and to an extension of part of the external verification to 'reasonable assurance'.

6.4 Independent assurance report

To the readers of the Royal KPN Sustainability Report

We were engaged by the Board of Directors of Royal KPN N.V. ('KPN') to provide assurance on the information in the Sustainability Report 2010 'KPN in the community' ('The Report'). The Report, including the identification of material issues, is the responsibility of the company's management. Our responsibility is to issue an assurance report on The Report.

What was included in the scope of our assurance engagement?

Our engagement was designed to provide the readers of The Report with limited assurance on whether the information in The Report, in all material respects, is fairly presented. Procedures performed to obtain a limited level of assurance are aimed at determining the plausibility of information and are less extensive than those for a reasonable level of assurance. To obtain a thorough understanding of the financial results and financial position of KPN the reader should consult the KPN audited financial statements in the KPN Annual Report for the year ended 31 December 2010. We do not provide any assurance on the achievability of the targets, expectations and ambitions of KPN.

Which reporting criteria did KPN use?

KPN applies the Sustainability Reporting Guidelines (G3) of the Global Reporting Initiative (GRI) for The Report as detailed in paragraph 6.3 of The Report. The information in The Report should be read in conjunction with this explanatory information.

Which assurance standard did we use?

We carried out our engagement in accordance with Standard 3410N 'Assurance engagements relating to sustainability reports' of the Royal Netherlands Institute of Register Accountants. This Standard requires, amongst others, that the assurance team possesses the specific knowledge, skills and professional competencies needed to understand and review the information in The Report, and that they comply with the requirements of the IFAC Code of Ethics for Professional Accountants, including independence.

What did we do to reach our conclusions?

Our work included the following activities:

- A media analysis and internet search on environmental, safety and social issues for KPN in the reporting period, in order to deepen our insight in relevant sustainability issues and questions in the reporting period.
- Interviews with members of the CSR Steering Committee responsible for the implementation of the CSR strategy and other staff at corporate level responsible for providing the information in The Report.
- A review of design and implementation of the systems and processes for information collection and processing, including the aggregation of the data for information in The Report.
- A review of internal and external documentation, based on sampling, to determine whether the information in The Report is supported by sufficient evidence;
- Checking the consistency of other reported information with external information such as the Annual Report 2010.
- During the assurance process we discussed necessary changes in The Report with KPN and reviewed the final version of The Report to ensure that it reflects our findings.

What is our conclusion?

Based on our work, as described above, nothing has come to our attention to indicate that The Report is not fairly presented, in all material respects, in accordance with the G3 Guidelines of the Global Reporting Initiative.

What else did we observe?

Without affecting the conclusions presented above, we draw the readers' attention to the following:

In recent years KPN has further developed the CSR policy, many parts of which focus largely on activities in the Netherlands. For a number of topics, management of the policy takes place mainly at corporate level. We recommend KPN to further progress the management and implementation of the CSR policy in their foreign operations and to embed the CSR policy deeper in the organization.

Amstelveen, 22 February 2010

KPMG Sustainability
W.J. Bartels (partner)

The sustainability report is published in Dutch and English. In case of differences, the Dutch version prevails.

Contents and organization

KPN N.V., Corporate Communications

DHV Adviesgroep Duurzaam Ondernemen
www.dhv.nl/mvo

RRED Communications
www.rred.nl

Design

Addison
www.addison.co.uk

Paper

Revive 50:50

Revive 50:50 is manufactured by an ISO 14001 and EMAS certified manufacturer and complies with FSC norms. It is manufactured using 50 per cent recycled fibers (post and pre consumer) and 50 per cent FSC certified fibers from responsibly managed forests. A product group from well managed forests, controlled sources and recycled material.





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