> Appendices

APPENDIX 3: TRANSPARENCY

About this report

Scope sustainability information
The purpose of the information in this report is to inform our stakeholders about our role in society, in connection with our main strategic objectives and targets. We regard as stakeholders all people and organizations affected by our operations or with whom we maintain a relationship, such as customers, employees, shareholders, banks, suppliers, journalists, partners and social organizations. For more information on our stakeholder approach for specific stakeholder groups, see Stakeholder dialog in this Appendix. The scope of the information in this report covers the KPN Group including subsidiaries in which KPN has a majority shareholding. The scope has not changed compared with last year's report. Unless stated otherwise, references to KPN should be read as referring to the KPN Group. All KPN's activities are in the Netherlands, except for iBasis, which has been classified as 'disposal group held for sale' as of 7 March 2018. For our non-financial information, we include new acquisitions in our report as of the first full year of ownership. Non-financial information for divestments that occurred during the reporting year is excluded for the full year. The data in this report refers to KPN's performance and not to that of our subcontractors, unless stated otherwise.

The full scope of the financial information is reported in the Consolidated Financial Statements (page 110 to 175). This report specifically reviews developments and performance in 2018 and is based on topics identified as high material for KPN. The described scope applies to all material topics. Aspects of a more static nature (such as our management approaches to our CSR themes and our stakeholders) or with less reporting priority (such as our impact on biodiversity and the list of external memberships) are included in the GRI Content Index (www.kpn.com/annualreport) or reported on corporate.kpn.com/dutch-society.htm.

Reporting criteria non-financial information
The Integrated Annual Report is published on 24 February, 2019. We have prepared this report in line with the International Integrated Reporting Council (IIRC) Integrated Reporting (IR) framework. For the sustainability information included in this report we followed the Global Reporting Initiative (GRI) Standards - Option Comprehensive and self-developed reporting criteria as disclosed in this Appendix. We comply with the EU Directive Non-Financial Reporting, and integrated all elements in our Integrated Annual Report. The Option - Comprehensive of the GRI Standards means that KPN reports on all general standard disclosures and all

EU Directive: Disclosure of non-financial information and diversity information

Requirements EU Directive	Subtopic	Chapter / Page reference
A brief description of the business model	The business environment	Our purpose and the world around us, p. 24-27 Our strategy and activities, p. 28-29 Our value creation model, p. 30-33 Our capitals to operate, p. 34-35
	Organization and structure	Our strategy and activities, p 28-29 Our value creation model, p. 30-33 Our capitals to operate, p. 34-35
	Markets where the undertaking operates	Our purpose and the world around us, p. 24-27 Our strategy and activities, p 28-29 Our value creation model, p. 30-33 Our capitals to operate, p. 34-35
	Objectives and strategies	Our strategy and activities, p 28-29 Our value creation model, p. 30-33 Our capitals to operate, p. 34-35
	Main trends and factors that may affect the undertaking's future development	Our purpose and the world around us, p. 24-27
Relevant social and personnel matters (e.g. HR, safety etc.)	A description of the policies pursued, including due diligence.	Sustainable employability, p. 64-66
	The outcome of those policies.	Sustainable employability, p. 64-66
	Principle risks in own operations and within value chain.	Sustainable employability, p. 64-66 Appendix 4: List of top risk, p. 212-219

Requirements EU Directive	Subtopic	Chapter / Page reference
	How risks are managed.	Compliance & risk, p. 81-87 Appendix 4: List of top risk, p. 212-219
	Non-financial key performance indicators.	Sustainable employability, p. 64-66 Environmental performance, p. 67-73
Relevant environmental matters (e.g. climate-related impacts)	A description of the policies pursued, including due dilligence.	Environmental performance, p 67-73
	The outcome of those policies.	Environmental performance p. 67-73
	Principle risks in own operations and within value chain.	Environmental performance p. 67-73 Compliance & risk, p. 81-87
	How risks are managed.	Compliance & risk, p. 81-87
	Non-financial key performance indicators.	Environmental performance, p. 67-73
Relevant matters with respect for human rights (e.g. labor protection)	A description of the policies pursued, including due diligence.	Procurement and suppliers, p. 70-72
	The outcome of those policies.	Sustainable employability, p. 64-66 Procurement and suppliers, p. 70-72
	Principle risks in own operations and within value chain.	Sustainable employability, p. 64-66 Procurement and suppliers, p. 70-72
	How risks are managed.	Compliance & risk, p. 81-87 Sustainable employability p. 64-66 Procurement and suppliers, p. 70-72
	Non-financial key performance indicators.	Sustainable employability, p. 64-66 Procurement and suppliers, p. 70-72
Relevant matters with respect to anti-corruption and bribery	A description of the policies pursued, including due diligence.	Implement a strong risk culture, p. 82 Insider transactions, p. 93 Sustainability throughout the supply chain, p. 70-72
	The outcome of those policies.	Sustainable employability, p. 64-66 Compliance & risk, p. 81-87
	Principle risks in own operations and within value chain.	Sustainable employability, p. 64-66 Compliance & risk, p. 81-87
	How risks are managed.	Sustainable employability, p. 64-66 Compliance & risk, p. 81-87
	Non-financial key performance indicators.	Sustainable employability, p. 64-66
Insight into the diversity (Board of Management and Supervisory board)	A description of the policies pursued.	Sustainable employability, p. 64-66 Supervisory Board report, p. 95-100
	Diversity targets	Sustainable employability, p. 64-66 Supervisory Board report,, p. 95-100
	Description of how the policy is implemented	Sustainable employability, p. 64-66 Supervisory Board report, p. 95-100
	Results of the diversity policy	Sustainable employability, p. 64-66 Supervisory Board report, p. 95-100

specific standard disclosures related to identified material topics. The process for defining the material topics and report content, as well as the list of material topics, is described in the materiality determination. The results of this assessment (list of material topics for KPN, including their reporting priority) determine which GRI indicators are set out in the Integrated Report and which indicators are featured only on our website or in our GRI Content Index. The overview can be found in the GRI Content Index in Appendix 8: GRI Content Index. In addition to these GRI Standards, KPN has included the pilot version of the Telecommunications Sector

Supplement, as published by GRI in 2003, in determining material disclosures, resulting in five additional topics and indicators in the GRI Content Index. For one high material topic, customer loyalty, KPN uses and reports bespoke performance indicators, as outlined in the GRI Index in Appendix 8.

The GRI Content Index specifies the aspect boundaries and omitted indicators where relevant (including clarifications). This Integrated Annual Report has been prepared in accordance with the GRI Standards: Comprehensive option.

> ## Appendices

Where available and relevant, the report includes data for previous years. Quantitative data concerning the workforce and financial results set out in this report has been collected using our financial data management system. The remaining data, set out in this report, has been collected using a standardized questionnaire that was completed with data from information management systems by the responsible KPN business units. The Internal Audit and Corporate Control departments used consistency and availability of supporting evidence as the basis for their assessment of the data reported at group level. Validation criteria set out in advance were also used to assess the data.

External assurance
In order to provide our stakeholders comfort over the reliability of our reporting, we engaged EY as an independent assurance provider to perform an assurance engagement with the aim of obtaining reasonable assurance on CO_2e emission data 2018 (Scope 1 and 2) of own operations in the Netherlands and the underlying energy data as presented on page 69 of the Integrated Annual Report and limited assurance on other sustainability information as disclosed in the following chapters and appendices:
- Chapters: KPN at a glance, Who we are and what we do and The long-term value we create;
- Appendices: Appendix 1-7: This includes Appendix 6: Social figure', Appendix 7: Environmental figures (including Scope 3 CO_2e emissions) and Appendix 8: GRI Content Index, which are available on the website of KPN. The key social and environmental figures, which are available in the Appendices 6 and 7 on www.kpn.com/annualreport, are also part of this report. Partly, they provide more detailed numbers on key figures that reflect on high material topics within the report (such as CO_2e-emissions and electricity consumption). The report contains prospective information, such as ambitions, strategy, targets, expectations and ions. Inherent to this information is that actual future results may be different from the prospective information and therefore it may be uncertain. Therefore, the assumptions and feasibility of this prospective information is not covered by the external assurance.

The Audit Committee approved every engagement of the external auditor, after pre-approval by the internal auditor, in order to avoid potential breaches of the external auditor's independence. For EY's assurance report we refer to
p. 184-191.

Reporting ambitions
KPN adheres to several reporting benchmarks, like the Dow Jones Sustainability Index (DJSI) and the Transparency Benchmark. By doing this, we keep improving our performance and our way of reporting by comparing it with that of peers and expectations from the industry and other stakeholders. Our reporting ambitions for the following years are to:
> keep reporting in line with the IIRC framework and in accordance with GRI standards;
> keep reporting on high material topics;
> report more on qualitative and quantitative value creation for society; and
> maintain a leading position in several benchmarks like the Dow Jones Sustainability Index (DJSI) and the Transparency Benchmark.

Scoping and calculation methodologies environmental figures

Calculation and determination of reported emissions
In the Integrated Annual Report, KPN reports the CO_2e emissions in the chapter Sustainability and in Appendix 6. Reporting is done in accordance with the guidance and standards of the Greenhouse Gas Protocol and the ISO 14064-1 standard. KPN uses the operational control approach when reporting CO_2 emissions. Carbon dioxide (CO_2) is the most relevant greenhouse gas to KPN. Where available, we have taken CH_4 and N_2O into consideration in our greenhouse gas emissions information. We use the term 'CO_2e-emissions' to refer to the greenhouse gas emissions reported on. These are stated in CO_2 equivalents. The net Scope 2 emissions are market based and calculated based on the tank-to-wheel (TTW) CO_2e-emissions factors for renewable electricity. For renewables (wind, biomass, solar) the TTW values are all zero. The CO_2- emissions of the well-to-tank (WTT) phase are accounted for in our Scope 3 emissions (category 3 – Fuel and energy related activities). The gross emissions disclosed on page 69 are location based and calculated with grid mix emissions factors. The KPN emissions report is subdivided as follows:

Scope 1 – Direct emissions:
> Fuel consumption of the lease vehicle fleet (employees' passenger vehicles and commercial vehicles)
> Heating of buildings (gas)
> Consumption of coolants for air conditioning and/or cooling
> Fuel consumption of emergency power generators

Scope 2 – Indirect emissions:
> Electricity consumption of the fixed and mobile networks, datacenters, offices and shops
> District heating
> District cooling

Accuracy

The accuracy of the electricity consumption data is a key factor in the reliability of the CO_2e-emissions calculations. In the data collection process, a number of factors affect the accuracy of the collected data. In general, data originating from direct measurements and recordings or invoices including measurements from third parties are the most accurate.

As our electricity providers estimate the electricity consumption for a part of our network operations because not in all cases a monthly meter reading is performed, some uncertainty exists about the accuracy and completeness of our energy consumption. To improve accuracy and transparency we are migrating to remote readable meters, reviewing admin processes and updating profiles with our electricity providers to improve the reliability of our energy data.

Scope 3 – Other indirect emissions:
> Emissions in our upstream value chain (during the production phase of our products, services and equipment at our suppliers)
> Emissions in our downstream value chain (during the use phase including recycling and disposal of the products, services and equipment).

The results are presented on page 229 and in Table 7 of Appendix 8: Environmental Figures.
We have used two main methodologies to calculate our Scope 3 emissions:
> Spend-based method which takes procurement data and calculates the emissions within an environmentally extended economic input-output (EEIO) model to assess the emissions. We used actual data covering January to November and extrapolated to full year.
> Process-based method which uses quantity-based data to evaluate the emissions associated with specific activities, e.g. kWh of energy usage or quantity of materials purchased to manufacture goods.

We used actual data covering January to November and extrapolated to full year. All parameters used in the scope 3 calculation are yearly checked whether new values are available. Calculation of emission methods, coverage and assurance is described in the table below.

Scope CO_2e	Standard	Scope	Coverage	Approach	Location- / Market-based	Assurance	Emission factor / Green energy
Scope 1	GHG Protocol Scope 1 Guidance	KPN Group	98% of all KPN business units and subsidiaries (Opex/FTE)	Operational control approach	Market based	NL: Reasonable	co2emissiefactoren.nl version 30-11-2018 Gold standard & REDD+ forest compensation projects
Scope 2	GHG Protocol Scope 2 Guidance	KPN Group	98% of all KPN business units and subsidiaries (Opex/FTE)	Operational control approach	Market based	NL: Reasonable	co2emissiefactoren.nl version 20-12-2018 100% green electricity
Scope 3 Cat: 1, 2, 5, 9	GHG Protocol Scope 3 Guidance	Netherlands	98% of all KPN business units and subsidiaries (Opex/FTE)	Spend based (Environmentally Extended Input Output data (EEIO) approach)	Location based	Limited	UK DEFRA 2014 (Indirect emissions from the supply chain) and CBS Statline The EEIO-factors are corrected for inflation.
Scope 3 Cat: 3, 6, 7, 11, 13	GHG Protocol Scope 3 Guidance	Netherlands	98% of all KPN business units and subsidiaries (Opex/FTE)	Process and activity based	Location based	Limited	co2emissiefactoren.nl version 20-12-2018
Scope 3 Cat: 4, 8, 10, 12, 14, 15	GHG Protocol Scope 3 Guidance	Netherlands	98% of all KPN business units and subsidiaries (Opex/FTE)	Not applicable for KPN	Not applicable	Limited	Not applicable

› Appendices

Calculation methodology estimated energy consumption saved by customers from using our IT solutions
The calculation of the avoided energy consumption, CO_2e emission and the cost reduction for our customers is based on models per service. The results are presented on page 230 and in Table 8 of Appendix 7: Environmental Figures. For Teleworking we have updated our reporting methodology. For the determination of the number of

Teleworkers we now use yearly reported data by The Dutch National Statistics Bureau (CBS) on the actual number of Teleworkers within the Netherlands. Until 2017 we used a method which was partially based on estimates and extrapolation.

Avoided energy consumption	Kind of avoidance (most impact)	KPN measurement	Source external information
Teleworking (enabled by KPN connectivity)	Avoided travel	Market share broadband subscribers based on Telecompaper Research	Publicly available statistics and reports from CBS, Kennisinstituut voor Mobiliteitsbeleid, ECN, Netbeheer Nederland, Milieu Centraal, Telecompaper and other sources
KPN Audioconferencing	Avoided travel	Number of audio-conferencing; average number participants per meeting	Publicly available statistics and reports from CBS, Kennisinstituut voor Mobiliteitsbeleid, British Telecom and CarbonTrust
KPN Colocation (Housing)	Electricity savings	Energy efficiency KPN datacenter, Volume KPN Colocation	Dutch Datacenter Assocation
KPN Hosting	Electricity savings	Energy efficiency KPN datacenter, Volume KPN Hosting	Dutch Datacenter Assocation
Dematerialization	Energy and raw materials savings	CD and DVD papers avoided by e.g. Spotify, Netflix	NVPI, Sociaal en Cultureel Planbureau, IOPscience, SVDJ, RVO, CE Delft, WWF and, CarbonTrust
iTV Cloud solution	Energy and raw materials savings	Number of customers, energy consumption KPN Cloud for iTV	Telecompaper Consumer Panel
KPN Video Conferencing	Avoided travel	Number of videoconferences; average travel savings per meeting	CBS Onderzoek Verplaatsingen in Nederland

In the calculation we used actual data covering January to November and extrapolated to full year. All parameters are yearly checked for updates by KPN and Ecofys and all updates and changes in calculation and reference values are checked and reviewed by Ecofys. For the parameters saved office space and the extra electricity and gas consumption at

home when working at home (rebound effect) in the Teleworking savings calculation the values are based on averages. The average between the lowest and highest reported value in reports and research is used. Cost savings are based on the average fuel, electricity and gas prices published by CBS and Milieu Centraal.

Other calculation methodologies

RepTrak

RepTrak is developed by the Reputation Institute and is used as a method to calculate the reputation score of companies worldwide. The RepTrak methodology measures also the drivers of reputation and the consequences for supportive behavior. The Reputation Institute's policy is to adjust all RepTrak scores by standardizing them against the aggregate distribution of all scores obtained from the Reputation Institutes's Annual Global RepTrak Pulse. Standardization has the effect of lowering scores in countries that tend to over-rate companies, and has the effect of raising scores for companies in countries that tend to rate companies more negatively.

All RepTrak scores are culturally standardized. This means that all RepTrak results are comparable across countries, industries and over time. Every month, the progress on the key attributes that stimulate reputation and supportive behavior is measured. The results are based on a minimum of 300 respondents per company each quarter. The data collection method is an online interview of 20 minutes. The qualified respondents have to be familiar or very familiar with the company. Per 1 January 2011, Reputation Institute started using an updated cultural bias adjustment procedure, whereby the cultural adjustment analysis was rebased based on the latest reputation scores. Because KPN was already in the midst of the process of setting KPIs, KPN requested the Reputation Institute to report KPN's reputation scores using the 'old' cultural bias adjustment analysis. Hence, this report shows 'unrebased' reputation scores for KPN. KPN reports the fourth quarterly average in the Integrated Report

Net Promoter Score (NPS)

We use NPS as the leading indicator to measure customer loyalty. The NPS results included in this report are calculated and provided by a leading market research company in the Netherlands.

NPS is based on direct customer input, with the key question being whether a customer would recommend KPN to someone else. Depending on the score they give, the customer is classified as a 'promoter' or a 'critic'. The NPS is calculated by subtracting the percentage of 'critics' from the percentage of 'promoters'. The result is displayed as an absolute number instead of a percentage, within a range of -100 to +100.

In this report, all NPS results refer to Q4 of the respective year, based on a 3-month rolling average (December 18 is based on October 18, November 18 and December 18). The NPS Consumer (Consumer Residential and Consumer Mobile) and NPS Business reflect a weighted average based on (2017 resp. 2015) revenues. NPS Business combines this with fixed weights for segments. The main score for NPS NL is the average of the segments NPS consumer mobile, NPS consumer residential and NPS Business.

Stakeholder engagement and materiality determination

Materiality

The annual materiality assessment makes sure we are aware of what happens in our surroundings, where we have impact and how we can add focus to our efforts. It is performed to make sure we report on all relevant topics in this Integrated Report. The assessment is approved by the Board of Management. The process consists of three steps:

Step 1: Identification of relevant aspects and other topics

KPN annually updates a shortlist of relevant topics based on internal and external developments. Relevant topics are those with which KPN has or can have an impact, inside the organization and in the value chain or society. Issues identified as relevant during a stakeholder dialog, or after a media scan was performed, have been taken into account in the materiality process. During an internal consultation held with employees representing the Corporate Communication department, the shortlist is validated, using the 2017 shortlist as a starting point in order to increase the continuity and comparability. Validating the shortlist resulted in adjusting and refining the definitions of the following topics: "Environmental performance", "Sustainable employment", "Diversity and equal opportunity", "Community investment". This has improved the readability and comprehension and did not led to changes of the topics' substance.

> Appendices

Step 2: Determining reporting priority

The second step aims to assess the relative impact KPN has with the identified topics on society. The outcome is presented on the graphically in the materiality matrix below and used as both input and validation of our (CSR) strategy, policies and approach and reporting scope. KPN assesses all relevant topics on: (1) the significance of KPN's impacts and (2) the influence on stakeholder decisions.

The determining of the materiality involves the following processes:
> an internal consultation held with employees representing all sections of KPN in order prioritize the shortlist topics from KPN's perspective; and
> an online survey was send to our most important stakeholders to prioritize the shortlist topics from our stakeholder's perspective. In total 2806 stakeholders representing the following stakeholder groups participated by completing the online survey; business market, consumer market, investors, suppliers, employees, society, government.

The combination of the horizontal axis and the vertical axis determines the degree of impact that KPN has with the topic on society. KPN divides the results into three categories:
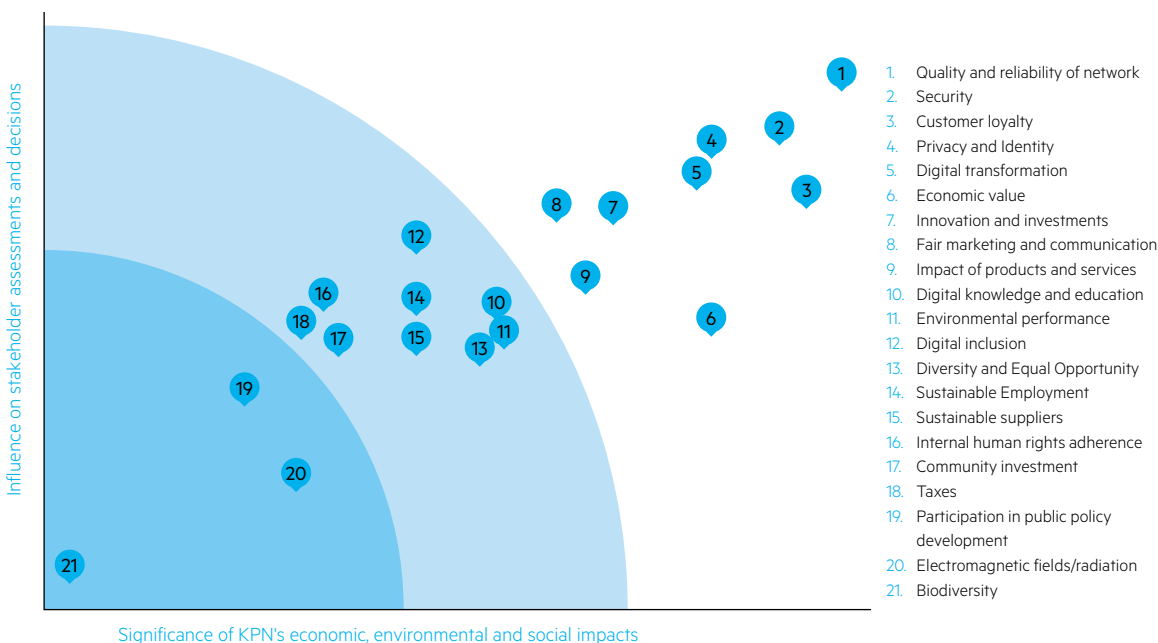> High material topics: we aim to fulfill a leading role on these topics. By developing policies, setting targets and defining KPIs to monitor and report on our impact.
> Medium material topics: we want to demonstrate our social responsibility regarding these topics.
> Low material topics: these are topics we monitor, but do not necessarily report on.
In order to see where the aspect can be found and which GRI topics are translated into KPN topics, please see the cross reference in the connectivity matrix.

Step 3: Implementation

Based on the priority outcomes of the materiality determination, approved by the Board of Management, we determined the topics to be addressed in the report, including the scope and aspect boundaries of all material topics. Despite the less importance "Environmental performance" was assigned in this analysis, KPN highly values taking its responsibility on this matter and therefor it's seen as a key element in KPNs strategy. This is why KPN considers this topic as highly material.

Materiality assessment

Influence on stakeholder assessments and decisions

1. Quality and reliability of network
2. Security
3. Customer loyalty
4. Privacy and Identity
5. Digital transformation
6. Economic value
7. Innovation and investments
8. Fair marketing and communication
9. Impact of products and services
10. Digital knowledge and education
11. Environmental performance
12. Digital inclusion
13. Diversity and Equal Opportunity
14. Sustainable Employment
15. Sustainable suppliers
16. Internal human rights adherence
17. Community investment
18. Taxes
19. Participation in public policy development
20. Electromagnetic fields/radiation
21. Biodiversity

Significance of KPN's economic, environmental and social impacts

Business units are informed on new and altered topics to be acted and reported on, to prepare reporting systems, enhance internal mechanisms, develop reporting definitions and, where relevant, targets. Timelines are developed and new/ altered topics are included in the relevant reporting process mechanisms.

Stakeholder dialog

KPN is in continuous dialog with a diverse set of stakeholders, with equally diverse interests and motivations. These dialogs take place on different levels within our organization and are often a part of our daily business. Members of the Board of Management attend the most important stakeholder dialogs, in which a variety of stakeholders is present. In the table below, we provide insight into all the interactions we have had with different stakeholders.

Stakeholder group	What they expect	How we engage (incl. frequency)	Main topics in 2018	Our response
Employees	Employees expect us to provide personal possibilities to strive in the dynamic workplace. For them, this translates into a tailor-made workplace (physical, technology, learning and development); simplicity in data, organization, technology and processes; transparency in the organization and from leadership and a recognizable culture and values. New generations expect generational awareness, dynamic career perspectives, continuous feedback, mentoring and coaching and empowerment and agility.	To some the changing conditions in the world and the labor market may feel like a threat. That is a natural reaction and we feel it as our responsibility as an employer to both create awareness of the consequences of the fast changing environment and encourage and enable people to seize the possibilities it offers. In the long run, KPN's HR function will more and more be using data & digital and robotization & AI to create an employee experience in response to increasing consumerism that will take shape in alternative employment relations.	⟩ Leadership that supports our culture as described in the KPN Greenprint. ⟩ Strategic Workforce Management that focuses on rationalization and standardization, contract independent sourcing and capacity planning. ⟩ A future-proof organizational design with room for authenticity and diversity. ⟩ Proactive and valuable people & data analytics. ⟩ Integral management of our HR chains in which run and change are balanced. ⟩ Performance management with room for new ways of working that leads to empowered employees. ⟩ Right sizing of our collective labor conditions to support this.	⟩ Development of our engineers and retail sales people. ⟩ Agile on Tour to support continuous personal development. ⟩ Future-proof individuals and organization' as main theme in preparing for the CLA negotiations.

› Appendices

Stakeholder group	What they expect	How we engage (incl. frequency)	Main topics in 2018	Our response
Government and regulators	Government and regulators expect us to comply with the rules and regulations and meet the requirements for licensing. Furthermore, they expect us to be climate responsible and transparent in our communication. Their goal is, amongst others, to create a level playing field and protect the interests of end-users. They expect us to run infrastructure and services considered as very important to the Dutch economy and Dutch society at large and to create coverage of high speed networks, wireless and wireline.	We proactively engage with government and regulators. As the incumbent in the Netherlands, there are special obligations imposed on us, in particular to enable competition via regulated access to our fixed network. We engage in a continuous dialog to explain our efforts and results. Furthermore, we work together with (local) governments on innovation (e.g. IoT) projects which result in energy and cost savings.	› Avoiding non-compliance › Integrity and transparency › For the next three years, ACM wants KPN to continue to grant its competitors access to its copper and fiber-optic network. › Concerns have been intensifying concerning national (cyber) security throughout 2018.	› We continued our compliance efforts through programs such as optimizing our business control system, external reviews, benchmarking, enhanced compliance training and top management meetings. We work continuously to meet compliance requirements through clear and practical legal advice, clear operational procedures, related control mechanisms, and clear and safe ways to report potential misconduct. We interact closely with ACM in relation to compliance, incidents and potentially different views on the interpretation of the law.
Investor community	The investor community – financial markets in general, our shareholders, debt investors and research analysts – expects us to be extensive and transparent. We should be clear and consistent in communicating our strategy, objectives and outlook, and transparent about corporate governance, including executive remuneration. Their main interest is our commitment to creating value. They want timely and accurate updates and ample opportunity to seek clarification and ask questions.	We organize key corporate events such as the Annual General Meeting of Shareholders, Capital Markets Days, and we meet with investors, analysts and credit rating agencies during roadshows and conferences. We also provide relevant company information through timely press releases and regular publications such as our quarterly results and Integrated Annual Report.	› Operational focus on value and fixed-mobile convergence. › Solid financial performance with improving revenue trend, in line adjusted EBITDA and growing free cash flow. › Leverage profile, including the redemption of the EUR 1.1bn hybrid bond. › CEO transition and accompanying strategy update with key drivers of growth and required level of investments. › Regulatory uncertainty from fixed access regulation and merger between T-Mobile and Tele2.	› We grew the fixed-mobile customer base leading to further increasing customer loyalty and low churn levels. › We realized a growing adjusted EBITDA and free cash flow and a solid growth of regular dividend per share in 2018 compared to full year 2017. › We fully redeemed the EUR 1.1bn hybrid bond with existing cash at the first call date in September 2018, we gradually reduced our stake in Telefónica Deutschland and we distributed the dividend received on our Telefónica Deutschland stake to KPN shareholders. › We presented our Strategy 2019-2021 in November 2018, highlighting our strategic priorities that will enable us to deliver organic sustainable growth in adjusted EBITDA and free cash flow, contributing to a progressive dividend per share and deleveraging, while continuing to invest in our infrastructure to become the undisputed quality leader in the Netherlands.

Stakeholder group	What they expect	How we engage (incl. frequency)	Main topics in 2018	Our response
Suppliers	Our suppliers expect to maintain a long term commitment and cooperation with us. Furthermore, they expect simple contracts, fair prices, acceptable payment terms and compliance with the core principles of data protection. Together we should look for opportunities regarding sustainable cost reduction.	KPN has a central Corporate Procurement Organization (CPO) that is responsible for contracting deals with suppliers. We make sure the principles of our suppliers' CSR policies are in line with our own. We are constantly in touch with our suppliers and invite them to our annual Supplier Day. We increasingly partner with them on sustainable solutions. We are also a member of the Joint Audit Cooperation (JAC), an association of 17 telecom operators aiming to verify, assess and develop the (CSR) implementation across the manufacturing centers of important multinational suppliers.	> In 2018, we started to add standard CSR criteria into our tender process. These criteria are: Complying with KPN's Supplier Code of Conduct; Promoting the reduction of so-called virgin materials (new, not previously used materials); Promoting reuse and recycling of KPN products to reduce the amount of landfill; Extending the lifecycle of products; Promoting the energy efficiency of KPN products.	> Together with our suppliers we implemented sustainable solutions which resulted in cost reduction, reduction in energy and material use. > We aim for all suppliers we do business with to comply with the KPN Supplier Code of Conduct or have their own equivalent code. Our Code of Conduct helps to ensure that all of our suppliers are committed to conducting its business in an ethical, legal environmentally, respecting human rights and socially responsible manner as well as JAC standards. > We continue to raise awareness of sustainability among our buyers and suppliers. In order to achieve 100% close to circular products we need support of all suppliers. On December 31st KPN and 11 suppliers have signed the circular manifesto.
Business customers	Customers expect KPN to help them with the Digital Transformation within their companies. They want sincere and proactive advice that meet their specific needs Business Customers also expect effortless IT solutions and there is a growing customer demand for continuous accessibility, and fast and reliable fixed and mobile connections.	Every day we talk with our business customers via our Business Partners, account managers, in our XL stores and our contact centers. We engage through our Customer Experience Lab in which we test the needs and experience of the customers daily. We also engage customer panels, quarterly market research, round table discussions, workshops connecting customers' strategies with KPN's and social media through our B2B platform The Digital Dutch. We closely monitor our (business) customers' satisfaction and loyalty through NPS.	> Digital Dutch Experience. > High speed internet. > Improve Customer Experience & Loyalty measured by NPS. > Migrations of customers to our integrated KPN ÉÉN platform. > Simplicity in Products & Services.	> Next to our yearly Digital Dutch Event we opened the Digital Dutch Xperience Center in Zoetermeer. In this Xperience center we invite customers and we work together with the customer on their specific digital challenges. > Roll-out high speed internet business parks. > Supported by its simplified portfolio Business NPS rose to 0 in Q4 2018. > Continued successful bundling of services in SME; 41% migration. > Growth in Professional Services supported by integrated solutions at KPN's larger customers.
Retail customers	Our retail customers expect high-quality products and service for the right price. This includes failure-free networks, clear propositions and processes, a quick and proper response to questions and complaints and good communication. They want sincere and proactive advice about the best possible subscriptions that meet their needs. Besides that, they want their loyalty to be acknowledged and appr	We communicate 24/7 with our customers on our front ends (Customer Service, Engineers, Stores, Social). We collect and monitor both requested and unrequested customer feedback on a daily basis and share these customer voices throughout the company. We also use external panels for our Brand NPS and RepTrak to objectively monitor our reputation.	> Being always connected. > A seamless and easy digital experience. > Sustainability.	> We offered our WiFi Garantie to all fixed KPN customers (new and existing). > We completely revamped our mijnKPN and KPNiTV apps based on customer wishes. > We made it possible for customers to sell back their old mobile devices to us.

› Appendices

Stakeholder group	What they expect	How we engage (incl. frequency)	Main topics in 2018	Our response
Society	Society expects us to make a positive mark on Dutch society. They expect us to be socially and environmentally responsible and to be a good corporate citizen. They want products and services that help to solve social and environmental issues. Furthermore, they expect us to be a frontrunner in sustainability and other societal issues by creating sustainable partnerships. KPN has the potential to lead debates e.g. on privacy and the use of data	We are active in working groups initiated by NGOs and participate in or liaise with organizations such as the European Telecommunications Network Operators' Association (ETNO), International Telecom Union (ITU), the United Nations Global Compact Foundation, the Dutch Association of Investors for Sustainable Development (VBDO), the ICT Coalition and Circle Economy. Furthermore, we organize an annual dialog with stakeholders to discuss our contribution to society and the desired next steps. We organize an Advisory Board meeting four times a year, which we renewed in 2017.	Topics discussed with our societal partners were: › People pay with trust, not data. KPN has a national profile as trusted provider. It will be an competitive advantage if we can tell customers where their data is going. › Health is a booming market. We can transport the data from the Patient tot the EDP of the hospital. We should develop new products with the big technology advantage of KPN and give patients autonomy. › We should make a next step on impact measurement. We should share dilemmas, this is part of the story. There does not exist a one-size fits all methodology for Impact Measurement. › Advice CSR Advisory board on the SDG's that are presented in the Value Creation Model: those are the main targets, but the sub targets are more interesting, because KPN's contribution towards these sub targets show where KPN adds the most value.	› We launched KPN Health, we organized a big internal event on privacy and we organized the first Kid Cyber Day. › We joined in a government campaign cyber security, in order to help people to better protect themselves. › We added the SDGs on Health and Well-being to our Value Creation Model.

How we engage with policymakers

KPN actively engages with policymakers in politics and government and sponsors activities which help to debate in the public arena the consequences of digitalization and develop actions to cope with them. For KPN, as a predominantly Dutch operation, policy is primarily shaped in Brussels and in The Hague. The focus of our engagement is there. To increase relevance with policymakers, the aim is to cooperate as much as possible with other likeminded companies and therefore KPN participates in trade organizations which are active at the European level and in the Netherlands and contributes to these organizations. These contributions accounts for the majority of the disclosed amounts. The sums apportioned to Brussels are part of the sums disclosed in the Transparency Register to which KPN has subscribed from the start. The Transparency Register also encompasses an estimation of cost of staff. KPN also participates in global organzations like GSMA, which aims to develop the mobile industry worldwide, and which also engages with policymakers in Europe and elsewhere. Finally, KPN contributes to ITU, which is a standardiation body and a United Nations Agency, but which is not a trade organization and therefore is not included in the sums presented.

KPN refrains from any sponsorship of political parties, political individuals or government institutions. Management upholds strict standards on ethical and transparent behavior. Employees who are politically active have to ask for permission if they have paid political functions, e.g. as member of municipal or regional councils. In the past years, KPN has always had the policy to approach policy makers directly. External public affairs agencies are not paid to speak on behalf of KPN.

KPN presents the amount of money spent on public affairs in three categories. KPN does not disaggregate these figures further as KPN is not at liberty to divulge the contributions to individual organizations.

Type of trade organization	Geographic scope	Spend in 2018 in EUR	Focus of membership (non-exhaustive)
Trade bodies representing interests of mobile operators worldwide	Global	30,000	Develop the mobile industry worldwide with focus on level playing field and predictability of the law. Create common standards and encourage sustainable innovation.
Trade body representing Europe's telecommunications network operators	European Union	63,601	Create a level playing field within the EU based on an unambiguous and predictable legal situation. Focus on the European Electronic Communications Code, the General Data Protection Regulation, ePrivacy, and the Privacy Shield.
Trade body representing Netherlands Industry and Employers	the Netherlands and the European Union	393,384	Monitor and influence nationwide issues that are of importance across sectors. Examples include creating a prosperous investment climate, fiscal climate, social agenda and a digital agenda.
Trade association for IT, telecom, internet and companies	the Netherlands	38,115	Monitor, influence and increase awareness of (issues in) the digital economy, e.g. on continuity and security and privacy.
Trade association in the technology industry	the Netherlands	12,100	Monitor and influence national policies in particular for the manufacturing industries, such as health care, metallurgy, microconductor industry, and the digital industry.
Trade association for the positioning of the Netherlands defense- and safety-related industry	the Netherlands	86,354	Monitor and influence national policies specifically in the field of national security.
Trade body and knowledge centre representing commercial users of electricity and water in the Netherlands	the Netherlands and the European Union	36,079	Representing the interests of small, medium and larger organizations who use water and electricity on a professional basis.
Trade body representing the interests of the cyber security sector	the Netherlands and the European Union	15,000	This organization aims to increase the digital resilience of the Netherlands and to increase the quality and transparency within the growing cyber security sector.