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Appendix 3: Transparency, materiality and stakeholder engagement

About this report

Scope sustainability information

The purpose of the information in this report is to inform our stakeholders about our role in the society, in connection with our main strategic objectives and targets. We define our stakeholders as all people and organizations affected by our operations or with whom we maintain a relationship, such as employees, governments and regulators, the investor community, suppliers, customers, and the society. For more information on our stakeholder approach for specific stakeholder groups, see Stakeholder dialogue 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. 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 98 to 164). This report specifically reviews developments and performance in 2019 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 the list of external memberships) are included in the GRI Index (www.kpn.com/annualreport) or reported on corporate.kpn.com/dutchsociety.htm.

Reporting criteria non-financial information

The Integrated Annual Report is published on 24 February 2020. We 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 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 index. The overview can be found in the GRI index in Appendix 9: GRI Index. In addition to these GRI Standards, KPN 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 index. For one high material topic, customer loyalty, KPN uses and reports bespoke performance indicators, as outlined in the GRI Index in Appendix 9 .

The GRI 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. 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.

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. 8-11 Strategy, key performance and value creation model, p. 12-15 Our valuable assets, p. 56-57
	Organization and structure	Strategy, key performance and value creation model, p. 12-15 Our valuable assets, p. 56-57
	Markets where the undertaking operates	Our purpose and the world around us, p. 8-11 Strategy, key performance and value creation model, p. 12-15 Our valuable assets, p. 56-57
	Objectives and strategies	Strategy, key performance and value creation model, p. 12-15 Our valuable assets, p. 56-57
	Main trends and factors that may affect the undertaking's future development	Our purpose and the world around us, p. 8-11
Relevant social and personnel matters (e.g. HR, safety etc.)	A description of the policies pursued, including due diligence	Sustainable employability, p. 45-47
	The outcome of those policies	Sustainable employability, p. 45-47
	Principle risks in own operations and within value chain	Sustainable employability, p. 45-47 Appendix 4: Top risks, p. 196-202
	How risks are managed	Compliance & risk, p. 66-72 Appendix 4: Top risks, p. 196-202
	Non-financial key performance indicators	Sustainable employability, p. 45-47 Environmental performance and responsible supply chain, p. 48-53
Relevant environmental matters (e.g. climate-related impacts)	A description of the policies pursued, including due diligence	Environmental performance and responsible supply chain, p 48-53
	The outcome of those policies	Environmental performance and responsible supply chain, p. 48-53
	Principle risks in own operations and within value chain	Environmental performance and responsible supply chain, p. 48-53 Compliance & risk, p. 66-72
	How risks are managed	Compliance & risk, p. 66-72
	Non-financial key performance indicators	Environmental performance and responsible supply chain, p. 48-53
Relevant matters with respect for human rights (e.g. labor protection)	A description of the policies pursued, including due diligence	Procurement and suppliers, p. 52-53
	The outcome of those policies	Sustainable employability, p. 45-47 Procurement and suppliers, p. 52-53
	Principle risks in own operations and within value chain	Sustainable employability, p. 45-47 Procurement and suppliers, p. 52-53
	How risks are managed	Compliance & risk, p. 66-72 Sustainable employability p. 45-47 Procurement and suppliers, p. 52-53
	Non-financial key performance indicators	Sustainable employability, p. 45-47 Procurement and suppliers, p. 52-53
Relevant matters with respect to anti-corruption and bribery	A description of the policies pursued, including due diligence	Implement a strong risk culture, p. 66-67 Insider transactions, p. 78 Environmental performance and responsible supply chain, p. 48-53

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Requirements EU Directive	Subtopic	Chapter / Page reference
	The outcome of those policies	Sustainable employability, p. 45-47 Compliance & risk, p. 66-72
	Principle risks in own operations and within value chain	Sustainable employability, p. 45-47 Compliance & risk, p. 66-72
Relevant matters with respect to anti-corruption and bribery	How risks are managed	Sustainable employability, p. 45-47 Compliance & risk, p. 66-72
	Non-financial key performance indicators	Sustainable employability, p. 45-47
Insight into the diversity (Board of Management and Supervisory board)	A description of the policies pursued	Sustainable employability, p. 45-47 Supervisory Board Report, p. 80-85
	Diversity targets	Sustainable employability, p. 45-47 Supervisory Board Report, p. 80-85
	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

Taskforce on Climate-related Financial Disclosures

KPN recognizes the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD) as an important step in providing transparency on climate strategy. We have mapped the elements of this framework to our current reporting as included in the chapter Environmental performance and responsible supply chain and related appendices. Our risk framework is described in the Chapter Compliance & Risk and Appendix 4 contains the list of top risks.

TCFD Element	TCFD Recommendation	KPN Reporting on TCFD guidelines
Governance	Describe the governance of Board of Management related to climate-related risks and opportunities	Corporate governance, p. 58-61
	Describe the role of management on the judgement and governance of climate-related risks and opportunities.	Compliance and risk, p. 66-72 Appendix 4: List of top risks, p. 194-200
Strategy	Describe the climate-related risks and opportunities as described on short, midterm and long-term timeframe.	SWOT analysis, p. 11 Compliance and risk, p. 66-72 Appendix 4: List of top risks, p. 194-200
	Describe the impact of climate-related risks and opportunities on business activity, strategy and financial planning of the organization.	Compliance and risk, p. 66-72 Appendix 4: List of top risks, p. 194-200
	Describe the agility of the strategy, taking climate-related scenarios into account, amongst others a scenario to stay within the 2-degrees Celsius limit for global warming.	Environmental performance and sustainable supply chain, p. 48 Compliance and risk, p. 66-72 Appendix 4: List of top risks, p. 194-200 We performed scenario analysis on long-term energy pricing taking the impact of CO_2e-price regulation into account.
Risk Management	Describe the climate-related risks and opportunities as described on short, midterm and long term timeframe.	Compliance and risk, p. 66-72 Appendix 4: List of top risks, p. 194-200
	Describe the processes the organization uses to manage climate-related risks and opportunities.	Compliance and risk, p. 66-72 Appendix 4: List of top risks, p. 194-200
	Describe how processes for the identification, assessment and management of climate-related risks are integrated into the risk approach of the organization.	Compliance and risk, p. 66-72 Appendix 4: List of top risks, p. 194-200
Indicators and objectives	Describe the organizational processes for identification and assessment of climate-related risks.	Compliance and risk, p. 66-72 Appendix 4: List of top risks, p. 194-200
	Report on scope 1, 2 and 3 emissions	Environmental performance and responsible supply chain, p. 48-53
	Report on performance to climate-related objectives	Environmental performance and responsible supply chain, p. 48-53

External assurance

To give our stakeholders confidence in 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 2019 (Scope 1 and 2) of own operations in the Netherlands and the underlying energy data as presented on page 50 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 and The 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 9: GRI 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 and expectations. 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 see p. 165 - 173.

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 our peers and expectations from the industry and other stakeholders. Our reporting ambitions for the coming 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

Scoping and calculation of reported emissions

In the Integrated Annual Report, KPN reports the CO_2e emissions in the chapter Environmental performance and responsible supply chain and in Appendix 7. 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 KPN emissions report is subdivided in scope 1-3 as set out below.

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, data centers, offices and shops
- District heating
- District cooling

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.

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_2e- emissions of the well-to-tank (WTT) phase are accounted for in our Scope 3 emissions (category 3 – fuel and energy-related activities). On page 50 both the location based and the market based scope 2 emissions are published.

As our electricity providers estimate the consumption for part of our network operations - as monthly meter reading are not always conducted - 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

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our electricity providers to improve the reliability of our energy data. We report our scope 1 and scope 2 emissions and energy consumption excluding NL|DC. NL|DC is reported separately until 1 October 2019 due the sale of NL|DC. Previous years for NL|DC are based on full year basis.

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 50 and in Table 7 of Appendix 7: Environmental figures. We have used two main methodologies to calculate our Scope 3 emissions:

The 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.

The 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 checked annually whether new values are available or not. We assess suppliers with zero net emissions and adjust accordingly. Calculation of emission methods, coverage and assurance is described in the table below.

Scope CO₂e	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 4-1-2020 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 4-1-2020 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 4-1-2020
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

Energy consumption and carbon emission avoided through customers using our IT solutions

The calculation of the avoided energy consumption, CO₂e emission and the cost reduction for our customers is based on models per service. The results are presented on page 52 and in Table 9 of Appendix 7: Environmental Figures.

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 Hosting	Electricity savings	Volume-hosting services	CBS
Dematerialization	Energy and raw materials savings	CD and DVD papers avoided by e.g. Spotify, Netflix	NVPI, Sociaal en Cultureel Planbureau, SVDJ, RVO, CE Delft, WWF and, CarbonTrust
iTV Cloud solution	Energy and raw materials savings	Number of customers, energy consumption KPN Cloud for iTV	Screenforce
KPN Video Conferencing	Avoided travel	Number of video conferences; 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 checked annually for updates by KPN and Navigant and all updates and changes in calculation and reference values are checked and reviewed by Navigant. For the parameters saved on office space and the extra electricity and gas consumption at home when working at home (rebound effect), the values used in the Teleworking savings calculation 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. In previous years the table included the category "KPN housing (colocation)". Because of the divestment of NL|DC this category was removed for all reporting years. This allows for better comparison.

Scope and calculations KPI % Reuse and recycling

The KPI % Reuse & recycling considers the outflow of KPN materials and waste destined to be reused, recycled, incinerated or landfilled. This means the scope includes, but is not limited to:
- Regular waste streams from KPN offices and operations;
- Obsolete (end-of-use) equipment and inventory coming from KPN operations, offices and shops;
- Obsolete (end-of-use) customer-premises equipment and mobile phones that are collected via KPN return programs and which are processed by KPN or on KPN's behalf.
The scope therefore does not include obsolete (end-of-use) customer-premises equipment, mobile phones and related packaging that are not collected via KPN return programs. In this case the customer takes responsibility to dispose of this in accordance with law and regulations and local waste-collection procedures. Because of the divestment of NL|DC, their waste figures were removed for all reporting years as they are non-material.

The outflow of materials and waste is reported in Appendix 7, table 10 in accordance with GRI-306-2. The following disposal methods are reported with reference to GRI-306-2: Reuse (i), Recycling (ii, iii), Incineration (iv, v) and Landfill (vii). The other disposal methods Deep well injection (vi), On-site storage (viii) and other (ix) do not apply. The waste disposal method is mostly determined by selected service partners and their waste-disposal contractor, where we challenge them on methods and performance. As part of our circular ambition, we promote reuse over recycling, and then incineration with energy recovery over landfill to minimize ecological impacts. Our service partners report the waste volumes (tons) on a quarterly basis. These volumes are allocated to the four types of disposal method based on processing rates (%) from direct information or public information. The KPI % reuse and recycling is then calculated by dividing the tons reuse and recycling by the total volume.

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 also measures 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

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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 three-month rolling average (December 19 is based on October 19, November 19 and December 19). The NPS Consumer (Consumer Residential and Consumer Mobile) and NPS Business reflect a weighted average based on 2017 revenues. NPS Business combines this with EBIDTA margins for segments.

Materiality and stakeholder engagement 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.

In 2018, we conducted an extensive assessment, consisting of both an internal consultation held with employees representing all sections of KPN as well as an online survey sent to over 2500 external stakeholders, representing various stakeholder groups. The outcomes resulted in a list of material topics, which we aligned with the guidelines and standards of the Global Reporting Initiative (GRI).

This year we conducted a review process based on last years' results. The process consisted of four steps. The main change compared to last year is the exclusion of the topic 'Economic value'. This is mainly due to a review in abstraction level, which will be discussed further in step 2. In the following paragraphs the process steps will be elaborated on.

Step 1: Review relevance topics for 2019
Compared to last year we broadened the definition of materiality. As a result, we ensured alignment with the GRI minimum requirements, while incorporating insights from other reporting initiatives. The definition applied for a material topic for this report is any topic that significantly influences the organization or on which the organization has a significant impact with its activities. This includes positive and negative and direct and indirect influences (risk/opportunity) and impact. Through a standards, peers, trend and a media analysis, we concluded that the 2018 list of topics provided a complete basis for the 2019 report. A few overlaps between topics were identified, while other topics were too broad defined. Therefore a calibration took place leading to an initial list of 13 topics.

Step 2: Review abstraction levels
A lesson learnt in 2018 related to the abstraction level of the topics. Some focused on input related to resources needed for our core business. Others were output being the direct result our activities. Finally, some were topics that impact directly or indirectly. To establish a more stable basis, the levels were aligned and definitions were aligned, with specific attention on the topic of economic value. It was decided not to include the topic in the list of topics as it is seen as the performance result on all other topics and therefore not essential to approach separately. The topic is still included in the GRI index.

Step 3: Scoring and validation
In 2018, an extensive external stakeholder consultation took place through an online survey. We also used the scores from this survey for 2019, aligned them with review steps. As some topics have been calibrated, scores have been averaged to ensure completeness and balance.
During an internal validation session, the process and topics were validated by senior representatives from various departments. Two topics were added, resulting in below list.
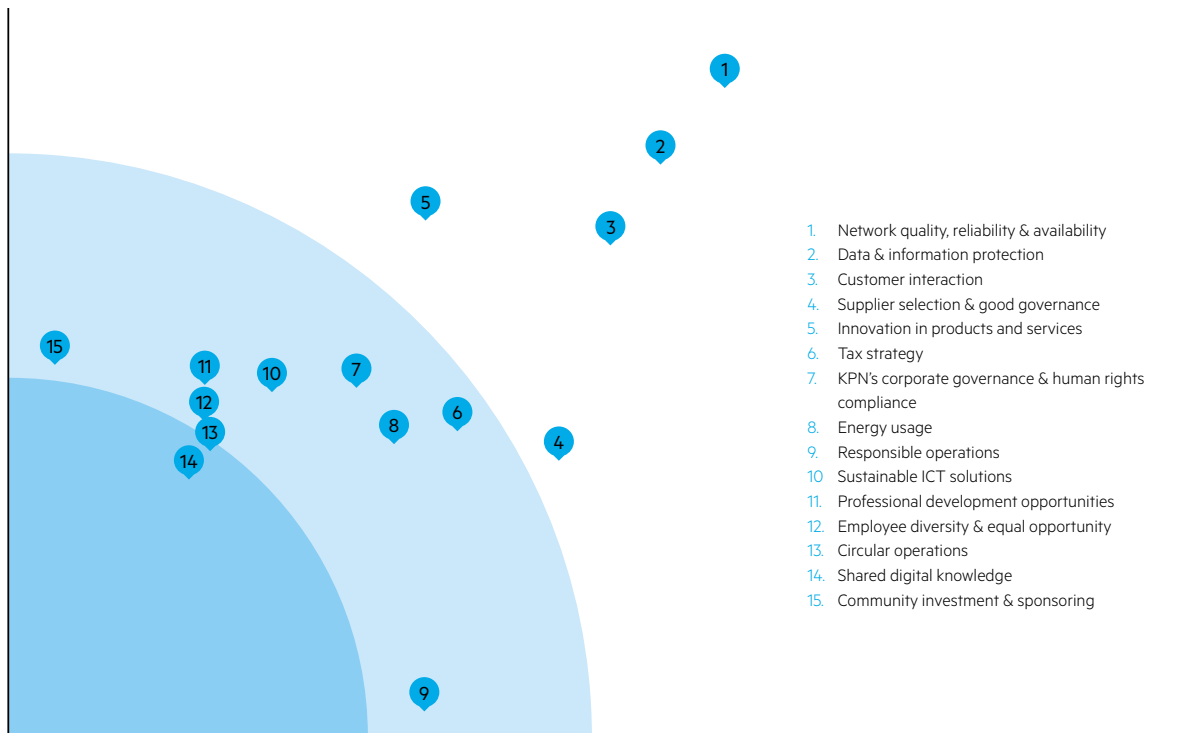
Topic 2018	Topic 2019	Definition
Environmental performance	Energy usage	The impact KPN's energy use for own operations (technologies, networks) has on the environment, biodiversity and climate change.
Impact of products and services	Sustainable ICT solutions	'The impact KPN has with its future-proof technologies (infrastructure and networks) on the reduction of GHG emissions (reduction of energy consumption, avoidance of traffic, optimizing logistic processes).
Environmental performance	Circular operations	The impact KPN has with its circular approach (sourcing of virgin materials, extended product use, high-end second life of product and materials) on circular economy/ biodiversity and ecosystem protection.
Sustainable suppliers	Supplier selection and good governance	The impact that KPN's selection of suppliers has on Dutch society and the impact of good governance among KPN's suppliers, and respected human rights have on local communities.
Digital transformation	Innovation in products and services	The impact KPN has with its digital innovation of products and services on the acceleration of digitalization.
Innovation and investments		
Quality and reliability of network	Network quality, reliability & availability	The impact the quality and reliability of KPN's networks have on the accessibility of high-speed internet - and therewith the availability of critical communications (short-term) and the contribution to growing economic and social activity (long-term).
Security		
Customer loyalty	Customer interaction	The impact honest, complete and transparent marketing and communication (e.g. on brand strategy) has on customer value.
Fair marketing and communication		
Digital inclusion	Community investment and sponsoring	The impact KPN's community investments on digital access (information and communication technologies) and sponsoring have on digital and social inclusion of everyone and anywhere.
Community investment		
Privacy and identity	Data & information protection	The impact KPN's data protection has on safeguarding the privacy & identity of customers & employees.
Diversity and equal opportunity	Employee diversity and equal opportunity	The impact that providing fair working conditions (e.g. related to diversity, equal opportunities, non-discrimination) has on KPN's workforce well-being and welfare.
Internal human rights adherence		
Sustainable employment	Professional development opportunities	The impact KPN's professional development opportunities and stimulation have on the employability of its employees (inside or outside KPN) and therewith on the Telecommunication sector development and economic growth.
Internal human rights adherence	KPN's corporate governance and human rights compliance	The impact KPN has with sharing its knowledge on digital technologies, on preparing and influencing people, society and government for a digital future.
Digital knowledge and education	Shared digital knowledge	The impact KPN has with sharing his knowledge on digital technologies, on preparing and influencing people and society (government) for a digital future.
Participation public policy development		
Electro-magnetic fields	Responsible operations	The impact on health and safety of people in the surrounding communities of KPN's network infrastructure
Taxes	Tax strategy	The impact of a tax strategy that is compliant with all relevant laws, regulations and international standards – one that is efficient and responsible and in the interest of all KPN's stakeholders.

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Furthermore the representatives provided input on the internal scoring, resulting in below matrix. 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.

1. Network quality, reliability & availability
2. Data & information protection
3. Customer interaction
4. Supplier selection & good governance
5. Innovation in products and services
6. Tax strategy
7. KPN's corporate governance & human rights compliance
8. Energy usage
9. Responsible operations
10. Sustainable ICT solutions
11. Professional development opportunities
12. Employee diversity & equal opportunity
13. Circular operations
14. Shared digital knowledge
15. Community investment & sponsoring

Significance of KPN's economic, environmental and social impacts

Step 4: Approval and integration in the report

Based on the priority outcomes of the materiality analysis, 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.

Stakeholder dialogue

KPN is in continuous dialogue with a diverse set of stakeholders, with equally diverse interests and motivations. These dialogues 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 dialogues, 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 2019	Our response
Employees	Employees expect us to provide opportunities to strive in the dynamic workplace. For them, this translates into an attractive, effective and inspiring work environment (physical, technology, learning and development); simplicity in data, organization, technology and processes; transparency in the organization and from leadership, a recognizable culture and values and excellent development opportunities. New generations expect generational awareness, dynamic career perspectives, continuous feedback, mentoring and coaching, empowermen, purpose 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 see 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 based on our leadership profile – giving purpose, engaging people, delivering performance. • Strategic Workforce Management that focuses on future skills and capabilities, rationalization and standardization, contract independent sourcing and capacity planning. • A future-proof organizational design with room for authenticity, diversity and inclusiveness. • Integral management of our HR chains in which daily activities 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. • Various initiatives to support continuous personal development and mobility. • Future-proof individuals and organization as main theme in preparing for the CLA negotiations.	• Continuous investment and development of our employees. • Several successful initiatives to support continuous personal development. • Future-proof individuals and organization as main theme in preparing for the CLA negotiations.
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 dialogue 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 cybersecurity throughout 2019.	• 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.

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Stakeholder group	What they expect	How we engage (incl. frequency)	Main topics in 2019	Our response
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.	• Management changes and potential changes in strategic direction. • Competitive environment following merger between T-Mobile and Tele2 and weaker operational KPIs. • Declining revenues, with slightly growing adjusted EBITDA after leases. • free cash flow performance impacted by restructuring and negative change in working capital. • Leverage profile, including bond redemptions, bond tender offer and new hybrid bond issuance. • Asset disposals, including sale of stake in Telefónica Deutschland. • Regulatory uncertainty from fixed access regulation.	• New CEO and CFO appointed. The BoM is extended to six people to ensure focus on effective implementation and execution of KPN's 2019-2021 strategy. We highlighted that our strategic priorities will remain unchanged • KPN's brand strategy and the launch of KPN Hussel are aimed at driving value per household by focusing on the KPN brand and fixed-mobile convergence. • Revenue trend is partially self-inflicted, for example due to customer migrations and value-over-volume focus in Business. Strong cost management led to substantial indirect opex savings in 2019, supporting slightly growing adjusted EBITDA after leases. • Negative change in working capital is partly driven by installments paid to fiber contractors, by lower opex due to continuous cost savings, and by higher Capex in Q4 2018. We realized free cash flow (excl. TEFD dividend) of €726m and growth of regular dividend per share in 2019. • We fully redeemed two senior bonds (€ 465m and £ 96m), tendered $ 405m of the $ 1.0bn senior bond and issued a new € 500m perpetual hybrid bond in 2019. • We sold NLDC, International Network Services and Argeweb and announced the agreement to sell KPN Consulting. In addition, we sold the remaining stake in Telefónica Deutschland. • The number of Wholesale lines increased in 2019, driven by growth in VULA and Wholesale Broadband Access (WBA) services.
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 2019 we started integrating the EcoVadis Scorecard. This is an evaluation of how well a company has integrated the principles of CSR into their business and management system. The assessment is part of our tender process. The scope criteria are across four themes: environment, labor & human rights (Employee Health & Safety, Working Cond., Soc. Dialogue, Child Labor, Forced Labor & Human Trafficking, Diversity, Discrimination and External Stakeholder Human Rights, ethics & sustainable procurement. If the outcome of the assessment is <35 points, the supplier must draw up an improvement plan in order to mitigate identified risks for the purpose of achieving a score of the least 35 points in a later assessment.	• 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.

Stakeholder group	What they expect	How we engage (incl. frequency)	Main topics in 2019	Our response
Business customers	Customers expect KPN to help them with the digital transformation within their companies. They expect 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. When problems do occur, they expect KPN to solve them adequately and show customer-centric behavior.	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. • Improve Customer Experience & Loyalty measured by NPS. • Migrations of customers to our integrated KPN ÉÉN platform. • Simplicity in Products & Services.	• We continue to inspire our customers with our online Digital Dutch platform. We cocreate content to inspire others with our customers in the podcast Digital Heroes and proactively engage with our customers in other NL forums and our own Customer Advisory Board. • Roll out high-speed internet business parks. • Continued successful bundling of services in SME. • 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 appreciated.	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 • Best proposition for households	• We started a large-scale roll-out of fiber broadband, for both existing, new and future customers. • We launched our new KPN Hussel proposition, where our customers have full control of the features and products that most suit their needs. • We further improved our digital experience.
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 dialogue with stakeholders to discuss our contribution to society and the desired next steps	Topics discussed with our societal partners were: • KPN can go beyond the role of technology provider, promote inclusion and reduce social isolation and loneliness This is particularly important to counteract growing social segregation – and the risks of increased nationalism and populism – in the Netherlands. • KPN's preparedness to adjust their Supplier Code of Conduct and ask of suppliers to determine wages based on the living- wage standard, given that ILO standards do not always guarantee living wages for the workers of KPN' suppliers. • Taking a next step on development of impact measurement and reporting. KPN is reporting on climate, consistent with the Non-Financial Reporting Directive and the recommendations of the TCFD	We kept investing in KPN Health, we organized a big internal event on privacy and we organized the second Kid Cyber Day. • We put Living Wage on the agenda of JAC and made it a topic for investigation. • We joined MVO NL's 'Groene Netten' in order to contribute to a branch-wide impact study. • We have taken the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) into account in our Integrated Report and our disclosure to CDP.

● Appendices

How we engage with policymakers
KPN actively engages with policymakers in politics and government, and sponsors activities which helps to generate public debate around the consequences of digitalization, as well as develop actions to address them. For KPN, as a predominantly Dutch operation, policy is primarily shaped in Brussels and in The Hague. The focus of our engagement is therefore aimed at these policy makers. To increase relevance with policymakers, the aim is to cooperate as much as possible with other likeminded companies, KPN therefore participates in trade organizations active in the Netherlands as well as at the European level, and contributes to these organizations.

These contributions account 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 standardization body and a United Nations Agency, but which is not a trade organization and therefore is not included in the sums presented.

KPN does not financially, or in any other way, support political parties, candidates or candidates for political positions. KPN does engage with national and regional authorities through knowledge-sharing to facilitate informed regulatory policy measures. KPN also contributes to sector organizations representing the interests of KPN in specific fields. 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, KPN's policy has always been to approach policymakers directly. KPN does not make use of external public affairs' agencies to speak on its behalf.

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.

Table trade organizations to follow

Type of trade Organization	Geographic scope	Spend in 2019 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	65,795	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	2,513	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	90,750	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	70,238	Monitor and influence national policies specifically in the field of national security.
Trade body and knowledge centre representing commercial users of electricity and waterin the Netherlands	the Netherlands and the European Union	26,636	Representing the interests of small, medium and larger organizations that use water and electricity on a professional basis.
Trade body representing the interests of the cybersecurity 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 cybersecurity sector.
Platform for businesses in the Benelux region	Benelux and the European Union	6,250	Platform for businesses in the Benelux, identifying areas where, from a business perspective, closer collaboration and integration is required.
Platform for information society	the Netherlands	20,000	Neutral platform where government, knowledge institutions, business, and civil society organizations collaborate on public-private partnerships and exchange knowledge about the responsible design of our digitizing society.
Association for data-driven marketing	the Netherlands	10,255	Association advocating responsible data-driven marketing, unlocking the potential withing the regulatory framework.