

# Report by the Supervisory Board

## Strategic observations

Throughout 2007 the Supervisory Board devoted considerable time and attention to the monitoring of the Company's strategic progress.

Progress on the execution of the 'Attack, Defend and Exploit' strategy as launched in early 2005 was reviewed. The Supervisory Board strongly endorses the efforts to pursue a proactive approach in dealing with the changing technological landscape. It is felt that establishing a secure position in IP based services is a key component of the strategic direction of the Company even if it is at the expense of short term revenues from traditional services and even if the full benefits of eliminating legacy systems are more medium term. Amidst the radical transformation of the Company, the Supervisory Board keeps a close watch on the Company's ability to maintain excellent operational performance standards throughout the ongoing change process. In addition, the Supervisory Board monitors the interest of a broad constituency of stakeholders in the transformation, notable examples are customers and employees but also of other players such as competitors, which use parts of the Company's infrastructure. In this respect, and, among others, customer satisfaction data and employee motivation reviews, provide important insights.

In 2007 the Supervisory Board was satisfied with the smooth implementation of the new customer centric organization structure, which came in the place of the erstwhile product centric (fixed/mobile) organization. The Supervisory Board believes that the integrated customer approach contributed and will continue to contribute to the execution of the Company's strategy significantly.

The ramp up of the consumer market VoIP product 'InternetPlusBellen' proved to be more challenging and required time and attention from the Supervisory Board. Fortunately, as the year progressed, the initial breakdown of execution standards was overcome. The events took their toll on customer satisfaction data, but these gradually improved back to previous levels. Meanwhile, it was satisfactory to see that other key strategic milestones were achieved smoothly, in particular, the amalgamation of the Telfort network, the roll out of the Digital Video Broadcasting network and the conclusion of agreements with alternative DSL operators on dealing with the All-IP implications of shared facilities. The Supervisory Board was kept abreast of developments but none of these projects required special attention or intervention.

In respect of the strategy going forward, a number of meetings took place. In the early part of 2007 it was discussed and agreed that the Company needed to build and acquire new capabilities in the business to business ICT market, in particular, in workspace management. Later in the year it was agreed that the best way to achieve this objective was to acquire Getronics. In the second half of 2007, a number of sessions took place on how to best take the Company forward. 'Simplification' emerged as a key theme so as to achieve both improved execution standards and a structurally lower cost base.

## Organization of the Supervisory Board

For a description of the organization and structure of our Supervisory Board, see 'Corporate Governance'.

### Composition of the Supervisory Board

The composition of the Supervisory Board changed at the 2007 Annual General Meeting of Shareholders. Mr. Halberstadt stepped down after having served three consecutive terms of four years and was therefore not available for re-appointment in accordance with best practice provision III.3.5 of the Dutch Corporate Governance Code. Upon nomination by the Supervisory Board, the General Meeting of Shareholders appointed Mrs. Colijn-Hooymans as member of the Supervisory Board. The nomination was subject to the enhanced right of recommendation of the Company's Central Works Council that supported the nomination. As a new member Mrs. Colijn-Hooymans attended an introduction program in which the Company, its activities and its governance as well as the tasks and responsibilities of a Supervisory Board member were explained. Mr. Bischoff and Mr. Streppel stepped down, as they had reached the end of their four-year term of office. Upon nomination by the Supervisory Board, the General Meeting of Shareholders reappointed Mr. Bischoff and Mr. Streppel for a second term of four years.

#### Composition of the Supervisory Board in 2007

Name	Date of birth	Start of term	End of term	Committees
A.H.J. Risseeuw (Chairman)	November 9, 1936	May 2, 2001, April 12, 2005*	2009	Chairman Nominating and Corporate Governance Committee; Member Remuneration and Organizational Development Committee
D.G. Eustace (Vice-chairman)	July 3, 1936	April 27, 2000, April 15, 2004*	2008	Chairman Audit Committee