

Remuneration and Organizational Development Report

Members of the Remuneration and Organizational Development Committee ('the Committee'): the Chairman and the members of the Committee are appointed by the Supervisory Board, and are at present Mr. Jager (Chairman), Mr. Risseeuw and Ms. Van Lier Lels.

Committee Charter: the Committee assists the Supervisory Board in establishing and regularly reviewing the Company's remuneration philosophy, the policies designed to execute this philosophy, and to ensure that senior management is compensated consistent with that policy. It also reviews and, if appropriate, recommends changes in the remuneration of the Supervisory Board and monitors management succession and organization plans. The Committee uses and seeks advice from an independent consultant firm and ensures they can act independent from the Company. The Committee annually reviews its performance against its charter and prepares the Remuneration Report to be included in the Annual Report to the shareholders of KPN.

Activities of the Committee: the Committee met five times in 2007 with all members present at each meeting. Consistent with its charter, the Committee reviewed remuneration developments in senior management, emerging practices in The Netherlands and abroad and potential implications for KPN in the immediate and mid term. This included a review from the Corporate Governance Code Monitoring Committee. The Committee proposed actions, where appropriate, to adjust base salary levels and the short and long term incentive plans. It also proposes the targets of those plans, and monitors the internal and outside auditing of its results.

The Committee was involved in the employment extension of Mr. Scheepbouwer, and the various remuneration aspects. It also reviews shareholder feedback on remuneration matters, including the 2007 votes on the proposed adjustment in the settlement of the Performance Share Plan from an equity-settlement to a cash-settlement as a result of changes in the Dutch corporate tax regulations. Finally, the Committee conducted a review for the entire Supervisory Board on the development of managers below the Board of Management.

Remuneration Policy 2007

KPN's remuneration policies were adopted by the shareholders at the Annual Meeting in April 2004 with only two substantive modifications since that time. In April 2006 shareholders approved the replacement of the existing stock Option Plans by a Performance Share Plan, and, in April 2007, shareholders approved the move to an all cash payout of its Long Term Incentive replacing a restricted share payout due to changes in the Dutch (Corporate) tax code.

KPN aims for a culture that is based on a strong bias for action and delivering results. Consistent with this high performance approach, our remuneration programs are structured to promote a pay-for-performance culture with an orientation towards variable pay, and an emphasis on long term value creation. Our plans are designed to achieve the following objectives:

- attracting and retaining the necessary leadership talent to sustain and expand our unique competencies and capabilities;
- driving performance that generates long term profitable growth;
- promoting behaviors that reinforce the business strategy and desired culture; and
- encouraging teamwork across business units and functional areas, and strongly linking rewards to shareholder value creation.

KPN's remuneration policy is guided by three broad principles:

1. pay competitively: this is achieved through benchmarking versus a peer group of European telecommunications and ICT companies with which KPN generally competes for talent;
2. pay for performance: target remuneration aims at 30-40% of pay in base salary, and 60-70% in variable pay to maintain a strong alignment with the Company's annual financial performance goals and long-term value creation strategy; and
3. differentiate by experience and responsibility: this is achieved through alignment of the remuneration with the responsibilities, relevant experience, required competences and performance of the individual job holders. Consequently, there can be substantial differences in pay levels, despite having similar job titles. These principles apply at all levels of management.

The composition of the remuneration is based on four components: base salary, short-term incentives (annual performance bonuses), long-term incentives (equity related) and other benefits, primarily pensions. This enables the Company to look at all remuneration elements in a consistent and integrated manner to ensure that the remuneration policy is market competitive.

To ensure overall competitiveness of the remuneration levels provided, the remuneration levels are benchmarked against both a Dutch and an European employment market peer group.