



TERMS OF REFERENCE
OF THE REMUNERATION AND ORGANISATION DEVELOPMENT
COMMITTEE
OF THE SUPERVISORY BOARD OF ROYAL KPN N.V.

Version 2010

1 TASKS

- 1.1 The task of the Remuneration and Organisation Development Committee (hereinafter: "Remuneration Committee") is to oversee the Company's remuneration strategy and principles for members of the Board of Management, the administration of its cash and equity based compensation plans and draft proposals to the Supervisory Board (hereinafter "the Board") for the remuneration policy to be pursued for members of the Board of Management. It will also be informed by the Company on the policies and general principles on which the compensation plans of senior managers of the Company are based to ensure that these are consistent with the adopted strategy and principles for members of the Board of Management; The Remuneration Committee will also review the Company's organisation development to help assure appropriate succession planning in the Company's executive ranks, and it will oversee the Company's activities in the areas of leadership and organisation development. The Remuneration Committee performs its task in preparation for joint decision-making by the Board

2 COMPOSITION

- 2.1 The Remuneration Committee shall consist of at least 3 members who shall also be members of the Board. Each member of the Remuneration Committee shall be independent within the meaning of the By-Laws of the Board, with the exception of no more than one member. No more than one member of the Remuneration Committee shall be a member of the Board of Management of another Dutch listed company, and each member shall comply with any other requirements under the Statutory Netherlands Corporate Governance Code as it may evolve from time to time.
- 2.2 The members of the Remuneration Committee shall be appointed and may be replaced at any time by the Board. The Board shall appoint one of the members of the Remuneration Committee as chairman of the Remuneration Committee.
- 2.3 The Remuneration Committee shall not be chaired by the chairman of the Board, by a former member of the Board of Management of the Company, or by a Board member who is a member of the board of management of another listed company.
- 2.4. Members of the Committee shall be elected by the Board for a term of two years and may be eligible for re-election provided that membership rotation should be effected where practicable.

- 2.5 The Director of Human Resources or the appointed delegate shall act as secretary to the Remuneration Committee. The secretary may delegate his duties, or parts thereof, under these Terms of Reference, to a deputy appointed by him in consultation with the chairman of the Remuneration Committee.

3. DUTIES AND POWERS

- 3.1 The Remuneration Committee has the following duties:

A. In respect of remuneration:

- drafting proposals to the Board for the remuneration policy to be pursued for members of the Board of Management, which policy, as well as any material changes thereto, shall be submitted to the General Meeting of Shareholders for adoption;
- drafting proposals for the remuneration of the individual members of the Board of Management consistent with the aforesaid remuneration policy and setting out specifically:
 - the remuneration structure and
 - the amount of the fixed remuneration, shares and/or options to be granted and/or other variable remuneration components, pension rights, redundancy pay and other forms of compensation awarded, as well as the performance criteria and their application;
- if there are reasons therefor, to make proposals for changes or additions to the remuneration of individual members of the Board of Management, which remuneration and possible changes and/or additions shall be submitted for adoption to the Board;
- to evaluate the performance of the members of the Board of Management in the light of the remuneration policy and set the individual elements of total remuneration based on this evaluation;
- to prepare the Remuneration Report referred to in the By-Laws of the Board;
- to make proposals to the Board for the remuneration of the individual members of the Board and the committees of the Board, for adoption by the General Meeting of Shareholders (consistent with the Statutory Netherlands Corporate Governance Code).

- before drawing up the remuneration policy and determining the remuneration of individual members of the Board of Management, analyse the possible outcomes of the variable remuneration components and how they may affect the remuneration of individual members of the Board of Management.
- determine the level and structure of the remuneration of individual members of the Board of Management by reference to the scenario analyses carried out and with due regard for the pay differentials within the enterprise.
- in determining the level and structure of the remuneration of individual members of the Board of Management, take into account, among other things, the results, the share price performance and non-financial indicators relevant to the long term objectives of the company, with due regard for the risks to which variable remuneration may expose the enterprise.
- If a variable remuneration component conditionally awarded to an individual member of the Board of Management in a previous financial year would, in the opinion of the remuneration committee, produce an unfair result due to extraordinary circumstances during the period in which the predetermined performance criteria have been or should have been achieved, the remuneration committee may propose to adjust the value downwards or upwards, subject to final decision making by the Board.
- The remuneration committee may recover from the individual member of the Board of Management any variable remuneration awarded on the basis of incorrect financial or other data, subject to final decision making by the Board (claw-back clause).

B. In respect of organisation development:

- review the Company's top 20-30 Senior Executives in preparation for a presentation to the full Board with a view to advising the Board of Management in respect of management development;
 - review the Company's plans for senior executive career development with a view to supporting the Board of Management in ensuring full talent deployment and development of senior executives towards their full potential.
- 3.2 The Remuneration Committee may only exercise such powers as are explicitly attributed or delegated to it by the Board and it shall not exercise powers beyond those exercisable by the Board as a whole.

- 3.3 The Remuneration Committee shall periodically review the Company's executive remuneration strategy and principles to ensure that these are aligned with the Company's business strategy and objectives, shareholder interests, desired behaviours and corporate culture. It shall also periodically review the Company's executive compensation plans to ensure these are consistent with the Company's executive remuneration strategy and principles. In the Remuneration Report of the company, the Remuneration Committee will explain how the chosen remuneration policy contributes to achievement of the long-term objectives of KPN and in keeping KPN with its risk profile.
- 3.4 The Remuneration Committee may engage consultants outside the Company to advise the Committee. If the remuneration committee makes use of the services of a remuneration consultant in carrying out its duties, it shall verify that the consultant concerned does not provide advice to the company's members of the Board of Management.

4. MEETINGS

- 4.1 The Remuneration Committee shall meet as often as required for a proper functioning of the Remuneration Committee, but shall meet at least twice a year. The meetings are, as much as possible, scheduled annually in advance. The Remuneration Committee shall meet ad hoc when this is deemed necessary by the chairman of the Remuneration Committee or by two other members of the Remuneration Committee.
- 4.2 Meetings of the Remuneration Committee are in principle called by the Secretary of the Remuneration Committee in consultation with the chairman of the Remuneration Committee. Save in urgent cases, to be determined by the chairman of the Remuneration Committee, the agenda for the meeting shall be sent at least seven calendar days before the meeting to all members of the Remuneration Committee. To the extent possible, written explanations and/or other related documents will be enclosed for each item on the agenda.
- 4.3 The Remuneration Committee shall decide if and when the chairman of the Board of Management should attend its meetings. The chairman of the Board of Management shall not attend meetings of the Remuneration Committee where his own remuneration is discussed. In addition, independent experts may be invited to attend meetings of the Remuneration Committee.
- 4.4 The Secretary of the Remuneration Committee or any other person designated for such purpose by the chairman of the meeting shall draw up minutes of the meeting of the Remuneration Committee.
- 4.5 The Committee shall exercise utmost discretion when making written records of its deliberations and recommendations.

5. REPORTING TO THE BOARD

- 5.1 The Board shall receive from the Remuneration Committee a report of its deliberations and findings, including major developments in the area of its responsibilities. The reports of the meetings of the Remuneration Committee shall be circulated as soon as possible after any of its meetings among all members of the Board.
- 5.2 If requested, the chairman of the Remuneration Committee shall at meetings of the Board provide the Board with further information on the outcome of the discussions of the Remuneration Committee.
- 5.3 Every Board member shall have unrestricted access to all records of the Remuneration Committee.

6. MISCELLANEOUS

- 6.1 These Terms of Reference have been drawn up by the Board pursuant to the By-Laws of the Board.
- 6.2 The Remuneration Committee is a standing committee of the Board and acts within the entrusted domain as defined by these Terms of Reference.
- 6.3 The chairman of the Remuneration Committee (or one of the other Remuneration Committee members) shall be available to answer questions regarding the Remuneration Committee's activities at the Annual General Meeting of Shareholders.
- 6.4 The Remuneration Committee shall review and re-assess the adequacy of these Terms of Reference annually, report its assessment to the Board and recommend, where appropriate, any proposed changes to the Board.
- 6.5 The Board can at all times amend these Terms of Reference and/or revoke any powers granted by it to the Remuneration Committee.
- 6.6 The By-Laws of the Board shall apply by analogy to the Remuneration Committee, while the powers of the Board or the chairman of the Board referred to in these clauses shall for the application of these Terms of Reference be considered powers of the Board or the chairman of the Board.
- 6.7 The annual report of the Board as referred to in the By-Laws of the Board shall state the composition of the Remuneration Committee, the number of meetings held by the Remuneration Committee and the main issues dealt with at these meetings.

- 6.8 These Terms of Reference and the composition of the Remuneration Committee are posted on the Company's website.