



Terms of Reference of the Audit Committee of the Supervisory Board

of Royal KPN N.V.

Adopted in the meeting of the Supervisory Board
February 28, 2005

Amended on February 6, 2006 and October 21, 2008



1. PURPOSE

- 1.1. As a standing subcommittee of the Supervisory Board, KPN has an Audit Committee.
- 1.2. Without prejudice to article 5.2. of the By-Laws of the Supervisory Board, the Audit Committee advises the Supervisory Board in relation to its responsibilities and shall prepare resolutions of the Supervisory Board in relation thereto.
- 1.3. While the Audit Committee has the responsibilities and powers set forth in these terms of reference, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's statements and disclosures are complete or accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. Neither these Terms of Reference nor any activity of the Audit Committee shall release KPN's Board of Management or the external and internal auditors from their duties and responsibilities. In carrying out its function, the Audit Committee is not providing any expert or special assurance as to KPN's financial statements or compliance with laws and regulations, or any professional certification as to the external auditor's work.

2. COMPOSITION

- 2.1. The Audit Committee consists of at least three members, who are also a member of the Supervisory Board.
- 2.2. The members of the Audit Committee shall be appointed by the Supervisory Board in accordance with these Terms of Reference and any other applicable requirements and, notwithstanding anything to the contrary in these Terms of Reference, the membership of any member may be terminated at any time by the Supervisory Board.
- 2.3. Members of the Audit Committee shall serve until the earlier of (a) the end of the term for which they have been appointed, which term shall not be more than four years, but which may be renewed by the Supervisory Board, (b) the termination of their membership on the Supervisory Board, (c) the termination of their membership on the Audit Committee by the Supervisory Board or (d) their resignation from the Audit Committee.
- 2.4. The Supervisory Board shall appoint one of the members of the Audit Committee as the Chairman of the Audit Committee. Neither the Chairman of the Supervisory Board nor any former member of the Board of Management of KPN shall act as Chairman of the Audit Committee.



3. INDEPENDENCE AND EXPERTISE

3.1. Each member shall not have any material relationship with KPN and must be "independent" at the time of appointment, reappointment and at any time while serving as a member of the Audit Committee. In order to be considered independent, members cannot:

- a) accept any consulting, advisory or other compensatory fee, other than the fees referred to in clause 20 of the Supervisory Board By-Laws and other than the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with KPN (provided that such compensation is not contingent in any way on continued service), from KPN or any subsidiary of KPN either directly or indirectly, such as through a spouse or an entity in which the member of the Audit Committee is a partner, member or principal; and
- b) be "affiliated persons" of KPN or a subsidiary of KPN, i.e. a person that directly or indirectly controls, or is controlled by, or is under common control with, KPN.

In addition, the members of the Audit Committee shall comply at the time of their appointment or reappointment to the Audit Committee and at any time while serving as a member of the Audit Committee with the requirements regarding independence set forth in applicable law or in the applicable rules of any stock exchange on which securities issued by KPN have been listed and/or traded with the permission of KPN or in a code of conduct applicable to KPN.

3.2. In the event that a member of the Audit Committee is or becomes aware of any circumstance, which may reasonably impair or affect his independence or the perception of his independence, he will inform the Audit Committee thereof promptly. The Audit Committee shall consult with the Supervisory Board in order to determine whether there is sufficient cause for resignation from, or termination of, the membership of the Audit Committee.

3.3. The Audit Committee shall have at least one member who qualifies as an "Audit Committee Financial Expert", i.e. a person who has all of the following attributes:

- a) an understanding of financial statements and IFRS;
- b) an ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves;
- c) experience preparing, auditing, analysing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by KPN's financial statements, or experience actively supervising one or more persons engaged in such activities;
- d) an understanding of internal controls and procedures for financial reporting; and
- e) an understanding of the objectives and meaning/purpose of the Audit Committee and how it should function.



- 3.4. The Supervisory Board shall determine on the basis of all available facts and circumstances which member, if any, of the Audit Committee qualifies as the "Audit Committee Financial Expert" and whether such person, in the sole determination of the Supervisory Board, meets all the requirements referred to in paragraph 3.3.
- 3.5. In the event that none of the members of the Audit Committee qualifies as "Audit Committee Financial Expert", this fact shall be disclosed by the Supervisory Board in its annual report together with the reasons therefore. Furthermore, a new "Audit Committee Financial Expert" shall be appointed as soon as possible. If no Audit Committee Financial Expert can be appointed, the Audit Committee shall take appropriate action to ensure a sufficient level of expertise (e.g. the temporary appointment of a special advisor to the Audit Committee).
- 3.6. Each member of the Audit Committee shall be financially literate (or will become so within a reasonable time after the appointment as member of Audit Committee) and one member must have relevant knowledge and experience of financial administration and accounting for listed companies or other large legal entities. The Audit Committee may conclude that any member who is an Audit Committee Financial Expert has the relevant knowledge and experience of financial administration and accounting referred to in the preceding sentence.
4. RESPONSIBILITIES OF THE AUDIT COMMITTEE
- 4.1. The responsibilities of the Audit Committee shall include:
- a) supervising and monitoring and advising the Board of Management on the effect of internal risk management (including fraud management) and control systems , including supervision of the enforcement of the relevant legislation and regulations, and supervising the effect of codes of conduct ;
 - b) supervising the submission of financial information by KPN (choice of accounting policies, application and assessment of the effects of new legislation in this area, information on the treatment of estimated entries (schattingsposten) in the annual accounts, forecasts, etc.) and monitoring the integrity of KPN's financial statements;
 - c) review of (i) KPN's annual audited financial statements and any interim statements (including any disclosures by management relating to KPN's results) and (ii) KPN's earnings press releases and other financial information and earnings guidance provided to analysts and rating agencies . These matters shall be discussed with management and the external auditor ;
 - d) supervising the compliance of recommendations and observations of internal and external auditors ;
 - e) supervising the functioning of the internal audit department ; in particular co-determining the plan of action (werkplan) for the internal audit department and taking note of the findings and considerations of the internal audit department;
 - f) supervising the policy of KPN on tax planning ;
 - g) supervising the financing of KPN ;



- h) supervising the application of information and communication technology (ICT) in financial processes ;
 - i) ensuring there are no unjustified restrictions or limitations to, and review and concur in the appointment, replacement, or dismissal of the Director of Internal Audit.
- 4.2. With regard to the formal relationship with the external auditor, the Audit Committee shall have the responsibilities as laid down in Annex 1 to these by-laws. The Audit Committee has delegated the authority to pre-approve all audit and permitted non-audit services to the Chief Financial Officer, provided that such decisions are presented to the Audit Committee at its next scheduled meeting and the amount of any specific assignment does not exceed EUR 500,000 and furthermore taken into account the provisions of the Audit Committee's pre-approval procedure to be adopted from time to time by the Audit Committee.
- 4.3. The Audit Committee shall establish procedures for (i) the receipt, retention and treatment of complaints received by KPN regarding accounting, internal control and auditing matters and (ii) the confidential, anonymous submission of concerns from employees of KPN regarding accounting or auditing matters. The Chairman of the Audit Committee shall be the recipient of any such complaint and shall determine the first action to be taken. If, after a first review, the Chairman is of the opinion that the complaint should be further investigated or further action should be taken, he shall consult with the other members of the Audit Committee. The Chairman of the Audit Committee shall periodically report to the Audit Committee on any complaints received and actions taken. (whistleblower procedure)
- 4.4. At least once a year, the Audit Committee shall review its own performance and reassess the adequacy of these Terms of Reference in such manner as it deems appropriate and submit such evaluation, including any recommendations for change, to the full Supervisory Board for review, discussion and approval.
- 5. MEETINGS
 - 5.1. The Audit Committee shall meet as often as required for a proper functioning of the Audit Committee, but shall meet at least four times a year, prior to the scheduled publication of the annual and quarterly results of KPN. The meetings are, as much as possible, scheduled annually in advance. The Audit Committee shall meet ad hoc when this is deemed necessary by the chairman of the Audit Committee or by two other members of the Audit Committee.
 - 5.2. Meetings of the Audit Committee are in principle called by the secretary of the Audit Committee in consultation with the chairman of the Audit Committee. Save in urgent



cases, to be determined by the chairman of the Audit Committee, the agenda for the meeting shall be sent at least seven calendar days before the meeting to all members of the Audit Committee. To the extent possible, written explanations and/or other related documents will be enclosed for each item on the agenda.

- 5.3. The Audit Committee shall decide if and when the chairman of the Board of Management, the Chief Financial Officer, the internal auditor or the external auditor should attend its meetings. In addition, independent experts may be invited to attend meetings of the Audit Committee.
- 5.4. The Secretary of the Audit Committee or any other person designated for such purpose by the chairman of the meeting shall draw up minutes of the meeting of the Audit Committee.
- 5.5. At least once per year the Audit Committee shall meet separately with each of the Chief Executive Officer, the Chief Financial Officer, the external auditor and the internal auditor of KPN and discuss all matters that the Audit Committee or any participant in such meeting requests.
6. REPORTING TO THE SUPERVISORY BOARD
 - 6.1. The Supervisory Board shall receive from the Audit Committee a report of its deliberations and findings, including major developments in the area of its responsibilities. The reports of the meetings of the Audit Committee shall be circulated as soon as possible after any of its meetings among all members of the Supervisory Board.
 - 6.2. If requested, the chairman of the Audit Committee shall at meetings of the Supervisory Board provide the Supervisory Board with further information on the outcome of the discussions of the Audit Committee.
 - 6.3. Every Supervisory Board member shall have unrestricted access to all records of the Audit Committee.
7. INVESTIGATIONS, EXPERTS AND REPORTS
 - 7.1. The Audit Committee may in its sole discretion carry out any investigation which it determines to be necessary or desirable to carry out its duties and may inspect or cause to be inspected any books and records (whether in written or electronic form) of KPN.
 - 7.2. The Audit Committee may in its sole discretion obtain advice and assistance from internal or external legal, accounting or other advisors without having to seek the approval of the Board of Management and KPN must provide appropriate funding for such activities, as determined by the Audit Committee.



8. MISCELLANEOUS

- 8.1. These Terms of Reference have been drawn up by the Board pursuant to the By-Laws of the Board.
- 8.2. The chairman of the Audit Committee (or one of the other Audit Committee members) shall be available to answer questions regarding the Audit Committee's activities at the annual General Meeting of Shareholders.
- 8.3. The Audit Committee shall review and re-assess the adequacy of these Terms of Reference annually, report its assessment to the Supervisory Board and recommend, where appropriate, any proposed changes to the Supervisory Board.
- 8.4. The Supervisory Board can at all times amend these Terms of Reference and/or revoke any powers granted by it to the Audit Committee.
- 8.5. The By-Laws of the Supervisory Board shall apply by analogy to the Audit Committee, while the power of the Supervisory Board or the chairman of the Supervisory Board referred to in these clauses shall for the application of these Terms of Reference be considered a power of the Supervisory Board or the chairman of the Supervisory Board.
- 8.6. The annual report of the Supervisory Board as referred to in the By-Laws of the Supervisory Board shall state the composition of the Audit Committee, the number of meetings held by the Audit Committee and the main issues dealt with at these meetings.
- 8.7. These Terms of Reference and the composition of the Audit Committee are posted on the Company's website.



Date
October 21, 2008

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of Royal KPN N.V.

ANNEX 1
AUDIT COMMITTEE – EXTERNAL AUDITOR



ANNEX 1 AUDIT COMMITTEE – EXTERNAL AUDITOR

With regard to the formal relationship with the external auditor, the Audit Committee shall have the following responsibilities:

- (1) Recommending the appointment of an external auditor by KPN's general meeting of shareholders;
- (2) Maintaining frequent contact with, overseeing the performance of and supervising the relationship with the external auditor, including in particular:
 - a. assessing the external auditor's independence, qualification and any non-auditing work for KPN,
 - b. determining the involvement of the external auditor in respect of the contents and publication of financial reporting by KPN other than the annual accounts,
 - c. taking note of irregularities in respect of the content of the financial reporting as may be reported by the external auditor,
 - d. reviewing with the external auditor any audit problems or difficulties and the management's response ,
 - e. resolving any disagreements between KPN's management and the external auditor regarding financial reporting and
 - f. approving the remuneration of the external auditor;
- (3) Establishing a policy regarding the employment by KPN of partners/employees or former partners/employees of the external auditor;
- (4) At least once a year, the Audit Committee shall, together with the Board of Management, report to the Supervisory Board on the developments concerning the relationship with the external auditor, in particular his independence. The report shall address, inter alia, the desirability of rotation of partners within the external audit firm that is responsible for KPN's audit, and the desirability of any non-audit services for KPN by the external auditor. The Supervisory Board shall take into account the outcome of this report when deciding its selection and recommendation of the external auditor.
- (5) At least every four years, the Audit Committee, shall, together with the Board of Management, thoroughly assess the functioning of the external auditor in the various entities and capacities in which the external auditor operates. The main conclusions of the assessment shall be notified to the General Meeting of Shareholders for the purpose of considering the recommendation for the appointment of the external auditor.