



How we interact with third parties

Sub-code 2

How we interact with third parties

We ensure that business decisions can be made sound, fair and without conflict of interest

We compete fairly and without abuse of our market position

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The KPN Code of Conduct is applicable to all KPN employees, including the Board of Management, the Supervisory Board and temporary staff. Supplementary rules apply to certain specific functions and positions. These rules are set out in separate codes, entitled 'Insider Trading', 'Retail', 'Customer Service' and 'Engineers'. The staff concerned will be given further information by their line managers.

1. General

Our work involves entering into business relationships with various third parties: our customers, suppliers, the distribution channels and numerous other partners. We also have competitors. We treat all third parties with respect and will not speak negative about them. In our dealings with all these parties we must observe a number of important rules.



2. Gifts and events

We conduct business in an honest, open and reliable manner. We do not give or accept any form of gift which could create the expectation of reciprocity or disrupt fair market competition in any way. We endorse and observe the internationally accepted standards of business integrity.

2.1 Beware of gifts or invitations

Ensure that there can never be any doubt regarding the integrity of decisions. Under no circumstances whatsoever is it permissible to accept or offer an inducement ('bribe'), whether directly or through an intermediary. The legal definition of bribery is 'the offer of an undue reward to any person whatsoever in order to influence his behavior and induce him to act contrary to the known rules of honesty and integrity'.

We never solicit any form of gift, invitation, loan, financial advantage or any payment in cash or in kind, including donations to third parties and charitable causes. This rule is absolute; there is no room for discretion. Similarly, we never offer or accept personal gifts, including discounts, from business contacts.

Discuss all offers of gifts, including those which have been refused, with your line manager. This is to ensure that there can be absolutely no doubt regarding the integrity of the decisions made.

Accepting business gifts and invitations

There are certain circumstances in which it is permissible to accept a business gift. However, you must always discuss the offer with the line manager to determine whether acceptance can be interpreted as having any influence on decisions made on behalf of KPN or personally.

As a general rule, we do not accept business gifts or invitations which represent a value greater than 100 euros per person/ event. There may be exceptional circumstances in which your line manager considers it appropriate to accept a gift of higher value. Particular caution is advised and the following additional rules apply:

- ♦ Approval at management level N-1 must be obtained prior to accepting an invitation to an event held in another country. If approval is granted and the invitation is accepted, KPN will pay all travel and accommodation expenses.
- ♦ Approval at management level N-2 must be obtained prior to accepting an invitation to an event held in The Netherlands.
- ♦ Considerations and conclusions with regard to the reason(s) for accepting the invitation are to be recorded in writing in cooperation with your immediate line manager.

To ensure the neutrality and impartiality of all business relationships, business gifts are never accepted at an employee's private (home) address. Any gift delivered to your home address must be returned to the sender from your office address, with an explanatory note to the effect that the KPN Code of Conduct prohibits the acceptance of gifts at the home address.

Offering business gifts and invitations

The offer of a business gift or invitation must never compromise the potential recipient or jeopardize the nature of the business relationship. Before offering any gift or invitation, ascertain whether its acceptance would contravene the code of conduct of the recipient's organization. The gift or invitation must be proportionate and in keeping with the nature of the business relationship. All gifts and invitations offered on behalf of KPN are to be reported to the line manager, even if not accepted.

When offering a gift or invitation, we observe the same rules as for their acceptance. In principle, the value should not exceed 100 euros (per person per event). If you believe that a gift or invitation of higher value is justified, you must discuss the matter with your line manager and observe the following supplementary rules:

- ♦ Before inviting a business contact to an event being held abroad, you must obtain approval at management level N-1. The recipient of the invitation will pay all travel and accommodation expenses itself.
- ♦ Approval at management level N-2 must be obtained prior to extending an invitation to an event held in the Netherlands.
- ♦ Considerations and conclusions with regard to the reason(s) for extending the invitation are to be recorded in writing by your immediate line manager.

2.2 Be alert to the sensitive nature of tendering procedures and requests for proposals

It is forbidden to exchange any form of gift or invitation with a party involved in a current or forthcoming tendering procedure or request for proposal (RFP).

2.3 Do not conduct business with past employers or any person with whom you have a personal relationship

To safeguard the integrity of our decisions, we never conduct business with persons in our own social circle, former employers or ex-colleagues with whom we have worked during the past twelve months. In any of these situations, ask a colleague to take over the account.



3. Fair competition

Dutch competition law and the Telecommunications Act (*Telecommunicatiewet*) exist to ensure a level playing field within our sector. KPN is a major player on the Dutch telecoms market. We are a large organization, and as such are subject to certain additional regulations which do not apply to smaller operators.

Competition law has three main components:

1. Collusion and cartels: organizations are prohibited from making agreements which could restrict free and fair competition.
2. Dominance and monopoly: an organization must not misuse its market position.
3. Concentration: mergers, acquisitions and alliances between organizations are subject to prior assessment and approval.

Breaches of competition law can attract severe penalties. Regulators can:

- ♦ impose a fine on the company (based on a percentage of annual revenue)
- ♦ impose personal fines on statutory directors or other company officers under whose responsibility the breach was committed.

Once a violation has been committed, it is usually impossible to rectify. Do not take any unnecessary risks. When in doubt, always consult Legal using the contact information at [TEAMKPN Online](#).

3.1 Collusion and cartels

Agreements which restrict free competition

Any agreement between organizations which serves to restrict free competition is prohibited. This applies where two or more companies agree to adopt the same market approach to all their customers and suppliers, imposing uniform terms and conditions. It also applies to agreements with distribution channels or suppliers, or agreements regarding tendering procedures (whereby one company defers to the other by declining to bid or submit an artificially inflated offer.) All these situations represent collusion which restricts free market competition. The following rules must be observed at all times:

Forbidden topics

There are certain topics which must never be discussed with any other company to avoid (allegations of) collusion.

In any conversations with a competitor, avoid discussing:

- ♦ Coordination of prices, tariffs and conditions
For example, during talks with a cable operator, you suggest setting 15 euros as the minimum price for internet connectivity, below which neither of you will offer its services.
- ♦ Dividing the market or customers
For example: “you take Customer A and we’ll take Customer B”, or “you take the business market and we’ll take the consumer market”.

- ◆ Competition sensitive information. Information is deemed ‘competition sensitive’ if it is likely to influence the market behaviour of competitors and is not (yet) public knowledge. Examples include corporate strategy, prices and pricing models, market share statistics and sales figures.
For example, you tell a representative of another telecoms provider the purchase price that KPN pays for a certain model of mobile phone.
- ◆ Collusion to exclude new market entrants
For example, during a trade association meeting you propose to prevent a new foreign provider from accessing the market.

In talks with external distribution channels, avoid discussing:

- ◆ Tariffs, discounts or conditions which the distribution channel can impose over and above the cost of the products purchased from KPN (vertical price fixing).
- ◆ Splitting the market
For example, ‘Restrict this offer to a particular city’.
- ◆ Long-term exclusivity for KPN or the distribution channel
For example, ‘for the next three years, you will not sell any of competitor X’s products alongside ours’
- ◆ KPN’s arrangements with other distribution channels
For example, ‘we will not allow Company Y to sell product Z’
- ◆ Information about competitors must not be passed to a distribution channel, and vice versa.

Forms of collusion

The manner in which a collusion is made or recorded is irrelevant. Whether verbal or in writing, a collusive agreement is always unlawful. It need not even be implemented in practice: intent implies guilt. Every form of collusion which affects competitive behaviour falls under the definition of cartels, even if there are no hard agreements regarding subsequent policy or action.

Particular attention should be devoted to the following potential pitfalls.

- ◆ **Indirect exchange of information** between competitors, via distributors, customers or sector organizations (‘Hub & Spoke’), where such exchange intentionally or unintentionally results in convergence of pricing or conditions is forbidden. You should treat information which you have obtained from third parties (e.g. dealers or consultants) with extreme caution.
- ◆ **External communications** such as interviews or press releases must not be used to gauge other organizations’ response to commercial decisions, unless and until those decisions have been documented and finalized and announced in the public domain. In other words, don’t “run it up the flagpole to see who salutes it.”
- ◆ Familiarize yourself with the topics that can and cannot be discussed during **informal meetings** with market parties, such as suppliers and customers attending a trade fair, sponsor or charity event or other formal or informal meeting organized the government or market parties.
- ◆ Be alert to the risks of discussing confidential business information with people you know in a **social capacity**, especially those who work for another market party.

Confidential business information – even if unlikely to distort or restrict competition – must never be divulged to unauthorized parties. See sub-code 3: How we deal with information, communication and company

resources. If information has been released for general publication and you wish to discuss it with third parties, do so clearly and concisely to avoid any misunderstandings.

The following do's and don'ts apply to any meetings attended by competitors:

- ◆ Never accept an invitation to a meeting at which a competitor will be present without first ascertaining whether this is permitted.
- ◆ Seek advice if you are uncertain whether your presence at the meeting is permitted, or whether the proposed topic of the talks is appropriate.
- ◆ Produce an agenda which should be circulated (by email) to all participants in advance.
 - ◆ If anyone wishes to raise a 'forbidden topic', explain that you are unwilling and unable to discuss it and ensure that it is removed from the agenda.
 - ◆ When in doubt, let KPN General Counsel Office check the agenda.
- ◆ Take minutes and produce a meeting report.
 - ◆ If someone else writes the report, check the contents and add written comments (clarification or rebuttal) where necessary.
- ◆ If one of the 'forbidden topics' is raised during the meeting, make your objections known.
- ◆ If the meeting nevertheless proceeds to discuss the topic:
 - ◆ Leave the room immediately.
 - ◆ Ensure that your departure is noted in the meeting report.
 - ◆ Inform Legal using the contact information at [TEAMKPN Online](#).
 - ◆ Follow these steps if in any doubt whatsoever about the legality of the meeting and its agenda.

Exceptions

The law provides certain exceptions to collusion. Agreements and alliances are permitted if likely to lead to innovation or improved distribution, provided the benefits will be passed on to the consumer.

For example:

- ◆ KPN is permitted to enter into an agreement whereby a distributor will offer only KPN products for period of no more than five years, provided the market share of both KPN and the distributor is lower than 30%.
- ◆ Two or more companies may submit a joint tender if each company acting alone would be unable to meet the registration criteria.
- ◆ Companies are permitted to agree technical standards between themselves.

The exclusivity rules also apply to purchase agreements, whereby KPN is permitted to enter into contracts with suppliers provided their duration is limited to five years, and neither the supplier nor KPN has a market share exceeding 30%.

These exemptions do not apply in every case. Before a contract is finalized it must be assessed by Legal. If you think that you may be able to claim one of the exemptions, use the contact information given at [TEAMKPN Online](#).

3.2 Specific rules for large market parties

Position of economic dominance

Some companies enjoy such economic strength that it can enable them to prevent effective competition being maintained on the relevant market by affording them the power to behave in an appreciable extent independently of its competitors, its suppliers, its distribution channels, its customers, and ultimately of the consumers. These companies are considered to have a 'dominant position' on the respective relevant markets. Having such a position is not illegal, only an abuse of such a dominant position may result in a violation of the competition rules.

Only the Legal department can and must assess whether or not KPN has a dominant position on any particular market. This assessment encompasses the relevant market the relevant market shares of all companies active on that market, any entry barriers, the positions of the other players, et cetera.

If a company is deemed to have a dominant position, it is subject to certain restrictions which do not apply to companies operating on the market without a dominant position. This is to ensure that parties that do not have a dominant position are 'squeezed out' of the market.

Abuse of a dominant position might entail:

- ♦ Excessively high prices
- ♦ Excessively low prices ('price dumping')
- ♦ Conditional discounts
 - ♦ Discounting must be based on actual, demonstrable cost reductions.
- ♦ Refusal to supply
 - ♦ A company may never refuse to supply any specific customer (existing or new) without good reason.
- ♦ Discrimination

- ♦ Equal situations (customers, distribution channels, etc.) must be treated equally.
- ♦ Tying arrangements
 - ♦ Imposing a requirement for a customer to purchase a combination of products (or to make such a combination more financially attractive without sound objective reason) is not allowed: a customer must be able to purchase only the product for which the company enjoys a dominant position.
- ♦ Exclusivity
 - ♦ Exclusivity agreements may fall under the definition of cartels and/or abuse of a of dominant position.

Exercise caution at all times. If you have any questions, contact Legal at [TEAMKPN Online](#).

Telecommunications Act

In addition to general competition law, companies in our sector are subject to the provisions of the Telecommunications Act. To ensure competition, the Authority for Consumers and Markets (ACM) assesses whether a company has a significant market position (Dutch: Aanmerkelijke Marktmacht) on a particular market. The criteria to assess a significant market position are the same as those which apply for the concept of dominant position under competition law.

The restrictions which apply under the Telecommunications Act can be more stringent and specific than those applicable under competition law.

NB Even if a certain course of action does not violate specific telecommunications regulations, it may nevertheless be a violation of general competition law, as described above.



3.2.1 Relevant markets

Based on Telecommunication regulation in The Netherlands KPN has been considered as a party with a significant market power on some specific (wholesale) markets. KPN has a statutory obligation to adhere to these specific regulatory obligations described in Market Analyses Decision of ACM. The markets on which KPN has a significant market power as well as the relevant obligations can be summarized as follows:

Business market

Retail offers made to business customers on the business markets KPN enjoys a dominant position are subject to two basic rules: the prohibition to abuse a dominant position and a non-discrimination obligation based on ACMs Market Analyses Decision Non-discrimination Rule 5 (on the basis of the Telecommunications Act).

Non-discrimination Rule 5

Non-discrimination Rule 5 (ND5) is a measure intended to ensure fair competition on price, for parties who are reliant on the procurement of wholesale components in order to supply their services on the retail market. For each service, the ACM has imposed detailed instructions and requires a 'procurement formula' comprising the various elements of the service with their (purchase) costs in order to prevent a price squeeze which may deteriorate the position of competitors of KPN dependent on the delivery and pricing of the wholesale components by KPN. This formula takes into account the tariff that KPN applies for its own retail service in order to maintain sufficient room for the competitor to compete with KPN on the retail markets.

CCO Pricing is responsible for ensuring that the KPNs standard tariffs and any sales mandate comply with ND5. If it is necessary to make an individual customer specific offer, a Sales Consultant or the Sales Support team should produce a 'KlantWaardeTool' (Customer Value Tool), which includes the

standard ND5 assessment. Any queries should be referred to CCO Pricing.

Contractual clause for changes in regulations; benchmarking / market conformity

Once every three years, the ACM reviews markets to determine whether they should be subject to regulation including the existence and scope of the ND5 obligation. This may lead to a different approach as regards ND5 affecting KPN contracts and their compliance with (future) regulation. We must therefore ensure that contracts can be amended if necessary to avoid a situation in which the delivery of the services will become non-ND5 compliant as regards the prices or conditions for the remainder of the contract term. All offers and contracts must therefore include the standard contractual ND5 clause, also known as the ND5 clause to enable KPN to remain compliant or to offer KPN the opportunity to terminate agreements that are not compliant if and when the customer does not agree with KPN's proposed amendment of the prices. The ND5 clause must take precedence over any benchmarking provision or an article governing market conformity. Use of the ND5 clause in our contract is obligatory.

NB Regulations based on Telecommunications Act and general competition law also apply to offers made to consumers. These regulations have been incorporated into the standard consumer offer forms and tariffs.

Wholesale market

For the majority of regulated wholesale services KPN is required to publish a standard 'reference offer' (Dutch: referentieaanbod) on its website (www.kpn-wholesale.com), or to submit a (standard) offer on request. If a competitor wishes to purchase any of these regulated wholesale services, KPN is obliged to apply the non-discrimination principle.

KPN has access to certain confidential (business) information relating to its wholesale customers. It would be possible to misuse this information in order to gain an unfair competitive advantage in the retail market (end user market). To ensure that this does not happen, various statutory provisions and contractual rules are in place, whereby:

- ♦ KPN may use wholesale information only for the purpose for which it was obtained, i.e. for activities further to the execution of the agreement for the relevant wholesale service, such as network planning and wholesale billing (purpose limitation).
- ♦ KPN must treat wholesale information confidential, both internally and externally (confidentiality obligation).
- ♦ KPN may not pass wholesale information to any other party, in particular other KPN business units, KPN subsidiaries and KPN distributors, which could thus gain an unfair competitive advantage. (The 'Chinese Wall' principle).

3.3 Concentration

It is forbidden to create a 'concentration' without the prior approval of the national competition authority. The term 'concentration' refers to a merger with, or acquisition of, another company or business activity. A joint venture or large outsourcing project may also be subject to the restrictions. There are set procedures whereby the authority is notified of any intentions. Always consult Legal using the contact information at [TEAMKPN Online](#).

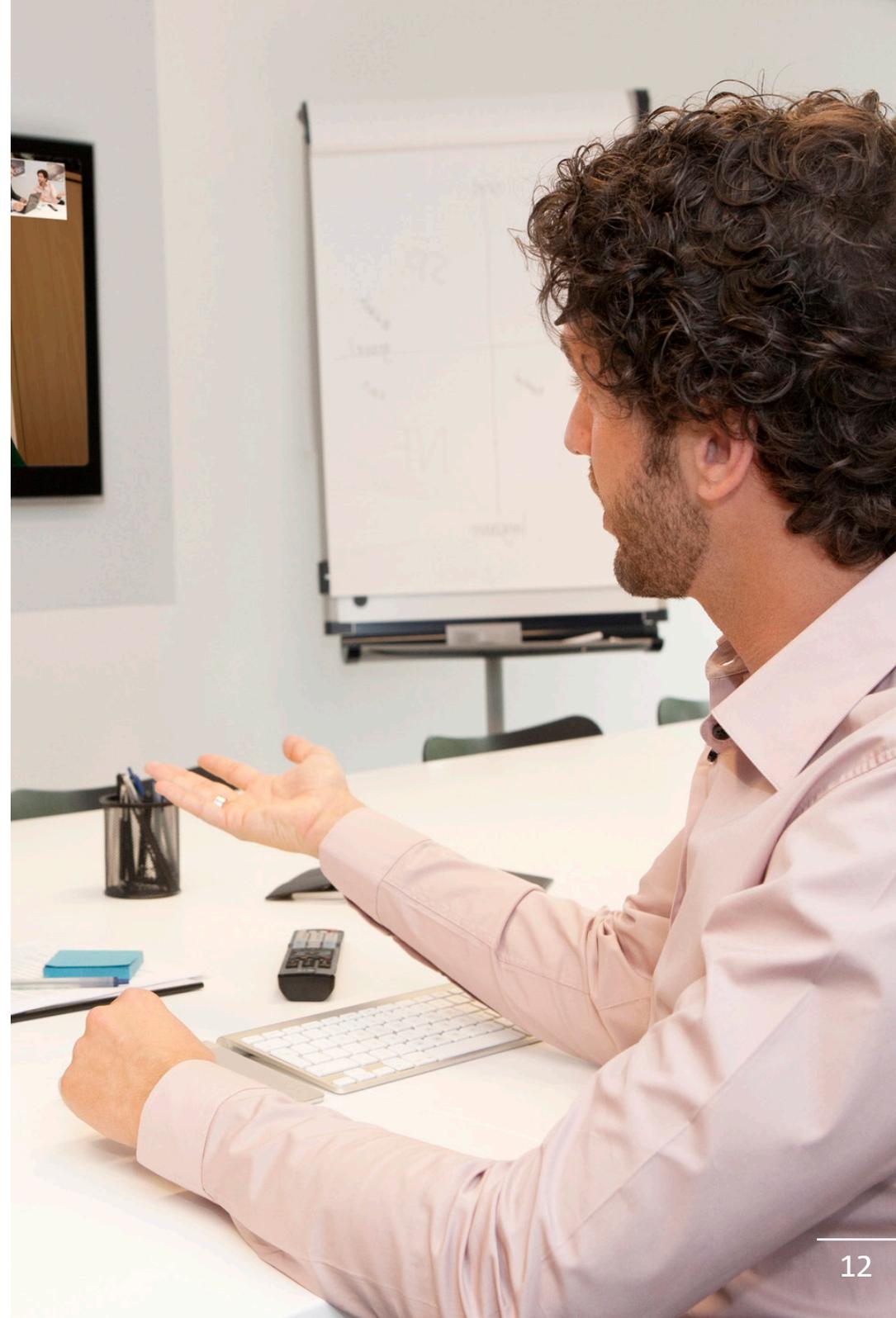
4. Requesting tenders, quotations and proposals

We do business only with parties which have been designated a 'preferred supplier'. If you believe that none of the existing preferred suppliers can meet your current requirements, contact the CPO at cpocontractsupport@kpn.com for further instructions.

When inviting a party to submit a proposal, we always provide timely, adequate and honest information to allow an accurate assessment of the risks.

It is not permitted to request a tender, quotation or proposal where there is no actual requirement for the product or services concerned (e.g. it is requested only for budgeting purposes). Providers whose bids are unsuccessful are entitled to an explanation.

The request for a proposal should clearly state that all offers and contracts will be subject to KPN's general terms and conditions. Ensure that the provider is aware of those terms and is willing to accept them.



5. Information, advice and reporting

We speak-up about compliance with the KPN Code of Conduct and sub-codes, regardless of position or function within the organization. You must familiarize yourself with the content of the relevant codes, and comply with it at all times. Line managers oversee compliance and create an atmosphere in which matters can be discussed openly. If you disagree with a colleague and are unable to resolve it, contact your line manager, HR consultant or the confidential advisor (staff counsellor).

If you have any questions about a code or are experiencing an (ethical) dilemma you do not wish to discuss with your line manager, contact the KPN Security, Compliance and Integrity Helpdesk. You can also [report any irregularities](#) anonymously via the SpeakUp Line.

The KPN Code of Conduct and sub-codes present rules of conduct. These rules are binding and compliance is mandatory. Based on reports of (suspected) misconduct, the activities and behavior of employees can be investigated taking due account of the applicable procedures. Any violation can lead to disciplinary action as provided by the KPN Collective Labour Agreement (CAO). Depending on the circumstances, sanctions range from a written warning to instant dismissal.

Information, advice and reporting

1. Contact your immediate line manager
2. Contact the KPN Security, Compliance & Integrity Helpdesk [0800 - 40 40 442](tel:0800-4040442) or securityhelpdesk@kpn.com
3. Contact the confidential advisor: see [KPN Vertrouwenspersoon](#)
4. Anonymously, via the KPN SpeakUp Line: [0800 - 02 22 931](tel:0800-0222931) (login code 57660)

